

## State of Montana

401(a) Defined Contribution Plan December 31, 2005 Review

Consulting Team:

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#### **Statement of Objectives**

#### **Objective**

The objective of this document is to review the mutual funds and commingled fund options in the 401(a) Defined Contribution Plan for the State of Montana. The analysis covers the trailing one-, three-, and five-year periods ending December 31, 2005. Fund performance and risk are measured versus the criteria set forth in the Plan's Investment Policy Statement.

#### **Overview**

Section Two contains Arnerich Massena & Associates' summary review of funds in the 401(a) Defined Contribution Plan and any resultant recommendations. This section also includes one-, three-, and five-year return and risk scatter plots for all the funds and relevant indices. Section Three contains the attribution pages that provide performance, characteristic and characteristic information for each of the funds in the 401(a) Plan. Section Four contains a glossary, descriptions of widely used indices, and notes.

#### **Attribution Pages**

The attribution pages for each fund contain the following information: I) Sector Weights, 2) Country Weights (on International and Global portfolios), 3) Portfolio Characteristics, 4) Portfolio Statistics, 5) Russell/Mellon Analytics Return Percentile Rank, 6) Growth of Assets in Style, 7) Net Historical Performance, 8) Rolling Three-Year Performance Chart, 9) Up/Down Market Capture Chart, 10) Risk/Return Chart (on US Equity portfolios), 11) Manager Information, 12) Top Ten Holdings, 13) Portfolio Fee Information and 14) Fund Strategy. Equity portfolio sector weights represent the percentage of the portfolio exposure in eleven different sectors. Fixed income sector weights represent the percentage of the portfolio exposure in six different sectors. International and global country weights represent the exposure to different countries and regions. All of these measures are presented versus a benchmark. Portfolio characteristics describe such items as bond quality and maturity, equity market capitalization ranges and averages, the number of holdings and the top ten holdings as of the end of the period. Portfolio characteristics data is from September 30, 2005 unless otherwise stated. Performance data is as of December 31, 2005.

#### **Risk Statistics**

Russell/Mellon Analytics rankings are based on relative performance within a defined group of similar products, with I being the highest relative to peers, and 100 being the lowest. The Morningstar rating is a "star" rating developed by that firm, where fund risk and return are quantified and then ranked versus other funds. The star rating system is based on a bell curve, where a risk-adjusted return that ranks in the top 10% versus the fund's category garners a five star rating. If the fund finishes in the next 22.5% it receives four stars, in the next 35% it receives three stars, in the next 22.5% it receives two stars and in the bottom 10% it receives one star. The Russell/Mellon Analytics Category comparisons are based on a specific group of funds. Russell/Mellon's style groups start with the funds in the Morningstar Categories. The funds must then pass multiple screens required for inclusion in a style group. This results in styles that are "pure" so that their risk/reward profiles and performance cycles are distinct, distinguishable, and relevant. The Up/Down Market Capture Ratios are determined by comparison to the respective index, which has an up/down-capture ratio of 100%. When the index is performing positively and a manager captures more than 100% of the rising

### **Statement of Objectives (continued)**

market (i.e., it has an Up Market Capture Ratio of more than 100%) it is considered offensive. When the index is performing negatively and a manager captures less than 100% of the declining market (i.e., it has a Down Market Capture Ratio of less than 100%) it is considered defensive.

#### Growth in Assets, Manager Profile, Fund Strategy, and Narrative

Growth in assets quantifies the change in assets over time. Arnerich Massena tracks asset growth because we believe that too many assets under management, especially in smaller capitalization strategies, can detract from performance. Net historical performance is presented against appropriate benchmarks. We report net because this is the performance that an investor actually receives. The manager profile provides tenure for fund's lead portfolio manager(s). The fund strategy states the objective and strategy of the fund, in terms of what its goals are and the process used to achieve them. Finally, Arnerich Massena has provided limited narrative and recommendations regarding each of the funds based on the previously defined criteria. These recommendations are summarized in the fund narrative and recommendations section with the exception of the State of Montana Stable Value funds and the Profile funds. Narratives and recommendations on these options may be found on their respective attribution pages.

### Summary - 40 I (a) Defined Contribution Plan

#### **Broad Fund Summary**

Below is the 401(a) Plan line-up as of December 31, 2005. The State of Montana uses 13 mutual funds and one commingled fixed account. The selection of fund options is well diversified across asset classes and styles. Upon review Arnerich Massena recommended the State replace two options in the Plan and put an option on watch. Please see the data sheets in Section Five for more detailed recommendations.

#### Fixed Income

- State of Montana Stable Value -- PIMCO Fixed Fund -- Retain
- Vanguard Total Bond Market Index Investor -- Retain

#### Balanced

■ Vanguard Balanced Index Institutional -- Retain

#### Large Cap Domestic Equity

- Vanguard Equity Income Admiral Place on watch
- Vanguard Growth & Income Admiral -- Retain
- American Funds Growth Fund of America A -- Retain

#### Mid Cap Domestic Equity

- Janus Mid Cap Value Inv -- Retain
- Artisan Mid Cap Investors -- Replace

#### Small Cap Domestic Equity

- Hotchkis & Wiley Small Cap Value A -- Retain
- Vanguard Small Cap Index Institutional -- Retain
- Brown Capital Small Company Institutional -- Place on watch

#### Global

■ American Funds New Perspective A -- Retain

#### International Equity

- Oakmark International I -- Retain
- SSgA International Growth Opportunities Place on watch

## **Summary - 401(a) Defined Contribution Plan (continued)**

#### **C**onclusions

Nearly all of the 401(a) Plan's managers meet the State's Investment Policy Statement (IPS) requirements. Artisan Mid Cap Investors, Brown Capital Small Company Institutional and SSgA International Growth Opportunities are the only products that are in violation of IPS performance guidelines. Artisan Mid Cap Investors was removed from Arnerich Massena's approved manager list in September 2005, prompting the recommendation to replace the Fund with an alternative mid cap growth option. SSgA International Growth Opportunities has been on watch for two year, however, the new portfolio management team has gotten of to a strong start thus prompting our continued recommendation of "on watch" status. Vanguard Equity-Income and Brown Capital Small Company Institutional have struggled during the last two years. We recommend placing these Funds on watch so the State can closely track performance during the next year to see if it shows signs of improvement. A few other funds did not meet every qualification; however, they are passively managed funds that are constructed to track their target indices net of fees.

#### Vanguard Total Bond Index

Fund Narrative	Portfo	olio Stat	istics - Sharpe F	Ratio	Morning	star Category Shift	Mornin	gstar Rating
Vanguard Total Bond Market Index performed on par with the LB		<u>Manager</u>	Category Mean	<u>Index</u> <sup>2</sup>				
Aggregate for the quarter and the year. While the Fund does not currently meet the investment criteria for active managers on a three- or	3-Year	0.6	0.6	0.6	2001 2002	Intermediate Bond Intermediate Bond	3-Year	***
five-year basis, is have performed in-line with expectations.  Recommendation: Arnerich Massena recommends retaining Vanguard	5-Year	1.0	0.9	1.0	2003 2004	Intermediate Bond Intermediate Bond	5-Year	***
Total Bond Market Index as the 401(a) Plan's bond market index option.			<sup>1</sup> Russell Category: <sup>2</sup> Index: LB Aggret		2005	Intermediate Bond	10-Year	***

#### Vanguard Balanced Index Instl

Fund Narrative
Vanguard Balanced Index outperformed the US Balanced Index during the
quarter and the year. Long-term performance, peer group rankings, and
Sharpe Ratio statistics meet the investment policy criteria set forth by the
State. The Fund's historical category and asset allocation shifts remain
neutral. Recommendation: Arnerich Massena recommends retaining
Vanguard Balanced Index as the 401(a) Plan's passively managed balanced
option.

Portfolio Statistics - Sharpe Ratio				Morningst	ar Category Shift	Morningstar Rating		
:	<u>Manager</u>	Category Mean <sup>1</sup>	Index <sup>2</sup>					
3-Year	1.3	1.2	1.2	2001	Balanced	3-Year	**	
				2002	Large Blend			
5-Year	0.2	0.1	0.1	2003	Large Blend	5-Year	***	
				2004	Large Blend			
		Russell Category: I	Balanced	2005	Large Blend	10-Year	**	
<sup>2</sup> Index: US Balanced Index								

#### Vanguard Equity-Income Admiral

Fund Narrative
Vanguard Equity-Income Admiral struggled during the year,
underperforming both the Russell 1000 Value and S&P 500 Index. The
Fund's underperformance has pushed the three-year return well below
the median manager of the Fund's peer group. The Fund now fails to
meet all of the performance related investment policy criteria established
by the State on a three-year basis. The Fund's Morning Star ratings have
also dropped to three stars over the past three- and five-year periods.
Recommendation: Despite its low expense ratio, Arnerich Massena
recommends placing Vanguard Equity-Income "on watch" so the State can
more closely monitor the Fund's performance during the coming year.

Portfolio Statistics - Sharpe Ratio				Morningsta	ar Category Shift	Morningstar Rating		
Manager Category Mean Index 2			Index <sup>2</sup>					
3-Year	1.0	1.2	1.1	2001	Large Value	3-Year	**	
				2002	Large Value			
5-Year	0.1	0.1	-0.1	2003	Large Value	5-Year	**	
				2004	Large Value			
		Russell Category: I	Large Value	2005	Large Value	10-Year	***	
		<sup>2</sup> Index: S&P 500						

#### Vanguard Growth and Income Admiral

Portf	olio Stat	tistics - Sharpe R	atio	Morningsta	ar Category Shift	Morningstar Rating		
Manager Category Mean Index <sup>2</sup>								
3-Year	1.3	1.1	1.1	2001	Large Blend	3-Year	***	
				2002	Large Blend			
5-Year	-0. I	-0. I	-0.1	2003	Large Blend	5-Year	**	
				2004	Large Blend			
		Russell Category:	Large Blend	2005	Large Blend	10-Year	**	
<sup>2</sup> Index: S&P 500								

#### American Funds Growth Fund of America A

Fund Narrative
American Funds Growth Fund of America had another exceptional year,
outperforming the Russell 1000 Growth Index and S&P 500 Index. Long-
term performance and peer group rankings place the Fund in the top
decile of its peer group. Sharpe Ratio statistics are excellent. Assets
continued to pour into the Fund as that factor along with significant
capital appreciation pushed assets under management to over \$128
billion, the largest amount ever for a mutual fund. Morningstar has given
the Fund at least a four star ranking for all time periods presented.
<b>Recommendation:</b> Arnerich Massena recommends retaining American
Fund Growth Fund of America as the Plan's large cap growth option.

Portf	olio Stat	istics - Sharpe R	atio	Morningstar	· Category Shift	Mornin	gstar Rating
	<u>Manager</u>	Category Mean 1	Index <sup>2</sup>				
3-Year	0.0	0.0	0.0	2001	Large Growth	3-Year	***
				2002	Large Growth		
5-Year	0.0	0.0	0.0	2003	Large Growth	5-Year	***
				2004	Large Growth		
		<sup>1</sup> Russell Category:	Large Growth	2005	Large Growth	10-Year	***
<sup>2</sup> Index: S&P 500							

### Janus Mid Cap Value Investor

Fund Narrative
Janus Mid Cap Value trailed the Russell Midcap Value Index and Russell
Midcap Index for the second consecutive year in 2005. The large cash
position continued to be a drag on the Fund as the managers are not
finding many attractive opportunities given the markets lofty valuations.
Even with the underperformance the Fund still exceeds the peer group
rankings and Sharpe Ratio statistics set forth in the State's investment
policy statement. The Fund has received a four star Morningstar rating
for the three-and five-year time periods. <b>Recommendation:</b> Despite
short-term underperformance Arnerich Massena recommends retaining
Janus Mid Cap Value as the 401(a) Plan's mid cap value option.

Portfolio Statistics - Sharpe Ratio			Morningsta	r Category Shift	Morningstar Rating		
	<u>Manager</u>	Category Mean <sup>1</sup>	Index <sup>2</sup>				
3-Year	1.7	1.5	1.8	2001	Mid Blend	3-Year	***
				2002	Mid Value		
5-Year	0.6	0.5	0.3	2003	Mid Blend	5-Year	***
				2004	Mid Value		
		Russell Category: I	Mid Value	2005	Mid Blend	10-Year	N/A
		<sup>2</sup> Index: Russell Mid	d Cap				

Morningstar Rating

3-Year \*\*\*

5-Year \*\*\*

10-Year

#### **Artisan Mid Cap Investors**

Fund Narrative	Portf	olio Stati	stics - Sharpe R	atio	Morningst	ar Category Shift	Mornin	gstar Rating
Artisan Mid Cap Investors fared through another difficult year from a		<u>Manager</u>	Category Mean <sup>1</sup>	Index <sup>2</sup>				
performance standpoint. The Fund lagged both the Russell Midcap Growth Index and Russell Mid Cap Index during 2005 in addition to	3-Year	1.3	1.4	1.8	200 I 2002	Mid Growth Mid Growth	3-Year	**
trailing two-third of its respective mid cap growth peers. While the Fund finished the year with a strong quarter, it consistently underperformed	5-Year	0.1	-0.1	0.3	2003 2004	Mid Growth Mid Growth	5-Year	***
the Index in each preceding quarter. Given these disappointing performance results, the Fund no longer meets the State's investment policy criteria from a performance, peer universe or sharp ratio perspective. Arnerich Massena removed Artisan Mid Cap Investors from the approved manager list due to concerns regarding significant asset growth within the strategy and the potential negative impact it may have going forward. <b>Recommendation:</b> Arnerich Massena recommends replacing Artisan Mid Cap with another mid cap growth option.			<sup>1</sup> Russell Category: , <sup>2</sup> Index: Russell Mi		2005		10-Year	N/A

Hotchkis and Wiley Small Cap Value A

Fund Narrative	Port	folio Stat	istics - Sharpe	Ratio	Morningsta	ar Category Shift
Hotchkis & Wiley Small Cap Value has outperformed the Russell 2000		<u>Manager</u>	Category Mean	Index <sup>2</sup>		
Value Index and Russell 2000 Index by a significant margin over all time	3-Year	1.8	1.4	1.2	2001	Small Value
periods. Performance, peer group rankings, and Sharpe Ratio statistics meet the State's investment policy guidelines. The Fund's Morningstar	5-Year	1.1	0.6	0.3	2002 2003	Small Value Small Value
Category shift has remained neutral over all time periods. It has received	J- i ear	1.1	0.6	0.3	2003	Small Value
a five star Morningstar rating for the three- and five-year time periods. <b>Recommendation:</b> Arnerich Massena recommends retaining Hotchkis & Wiley Small Cap Value as the 401(a) Plan's small cap value option.			<sup>1</sup> Russell Category. <sup>2</sup> Index: Russell 2		2005	Small Value

**Vanguard Small Cap Index Institutional** 

Fund Narrative	Portf	olio Stati:	stics - Sharpe R	latio	Morningsta	ar Category Shift	Mornin	gstar Rating
Vanguard Small Cap Index continued to do an exceptional job tracking		<u>Manager</u>	Category Mean <sup>1</sup>	Index <sup>2</sup>				
the MSCI US Small Cap 1750 Index which actually outpaced the more traditionally used small cap index, the Russell 2000 Index, by a rather	3-Year	1.4	1.3	1.2	2001	Small Blend	3-Year	***
significant margin for the year. The Fund meets all of the investment	5-Year	0.3	0.4	0.3	2002 2003	Small Blend Small Blend	5-Year	**
policy guidelines set forth by the State. <b>Recommendation:</b> Arnerich Massena recommends retaining Vanguard Small Cap Index as the Plan's			<sup>1</sup> Russell Category:	Small Blend	2004 2005	Small Blend Small Blend	10-Year	***
passively managed small cap option.			<sup>2</sup> Index: Russell 20					

#### **Brown Capital Small Company Institutional**

Fund Narrative
What did Brown do in 2005 that was different than prior years that led
to better performance? According to portfolio manager Keith Lee, it
wasn't what they did differently, but a better understanding of the
companies in the portfolio. The team became more critical and dug in
deeper, improving their ability to separate material from immaterial
issues. This led to improving the quality of decision making. Lee believes
they are gaining more patience and are also far quicker to eliminate a
position they don't think will generate the type of returns they expect.
Recommendation: Arnerich Massena recommends maintaining the "on
watch" status of Brown.

Portf	olio Stati	stics - Sharpe R	atio	Morningsta	r Category Shift	Morning	star Rating
	<u>Manager</u>	Category Mean <sup>1</sup>	<u>Index</u> <sup>2</sup>				
3-Year	0.7	1.1	1.2	2001	Small Growth	3-Year	**
				2002	Small Growth		
5-Year	-0. l	0.1	0.3	2003	Small Growth	5-Year	**
				2004	Small Growth		
		<sup>1</sup> Russell Category:	Small Growth	2005	Small Growth	10-Year	**
		<sup>2</sup> Index: Russell 20	00				

#### **American Funds New Perspective A**

Portfolio Statistics - Sharpe Ratio			Morningst	ar Category Shift	Morningstar Rating		
į	<u>Manager</u>	<u>Category Mean</u> <sup>1</sup>	<u>Index</u> <sup>2</sup>				
3-Year	1.2	1.2	1.4	2001	World Stock	3-Year	**
				2002	World Stock		
5-Year	0.2	0.1	0.1	2003	World Stock	5-Year	***
				2004	World Stock		
		Russell Category:	Global	2005	World Stock	10-Year	***
		<sup>2</sup> Index: MSCI ACV	VI				

#### Oakmark International I

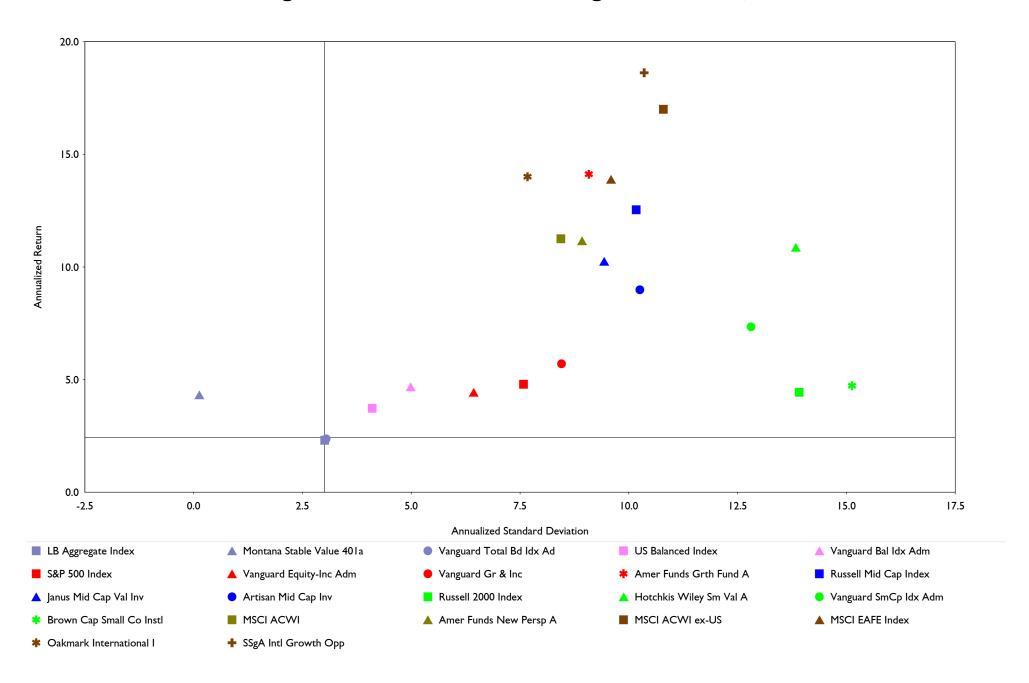
Portfolio Statistics - Sharpe Ratio			Morningsta	ar Category Shift	Morningstar Rating		
į	<u>Manager</u>	Category Mean <sup>1</sup>	<u>Index</u> <sup>2</sup>				
3-Year	1.2	1.3	1.5	2001	Int'l Value	3-Year	**
				2002	Int'l Value		
5-Year	0.3	0.1	0.2	2003	Int'l Value	5-Year	***
				2004	Int'l Value		
		Russell Category: I	Non-US Equity	2005	Int'l Value	10-Year	***
		<sup>2</sup> Index: MSCI ACV	VI ex-US				

# SSgA International Growth Opportunities

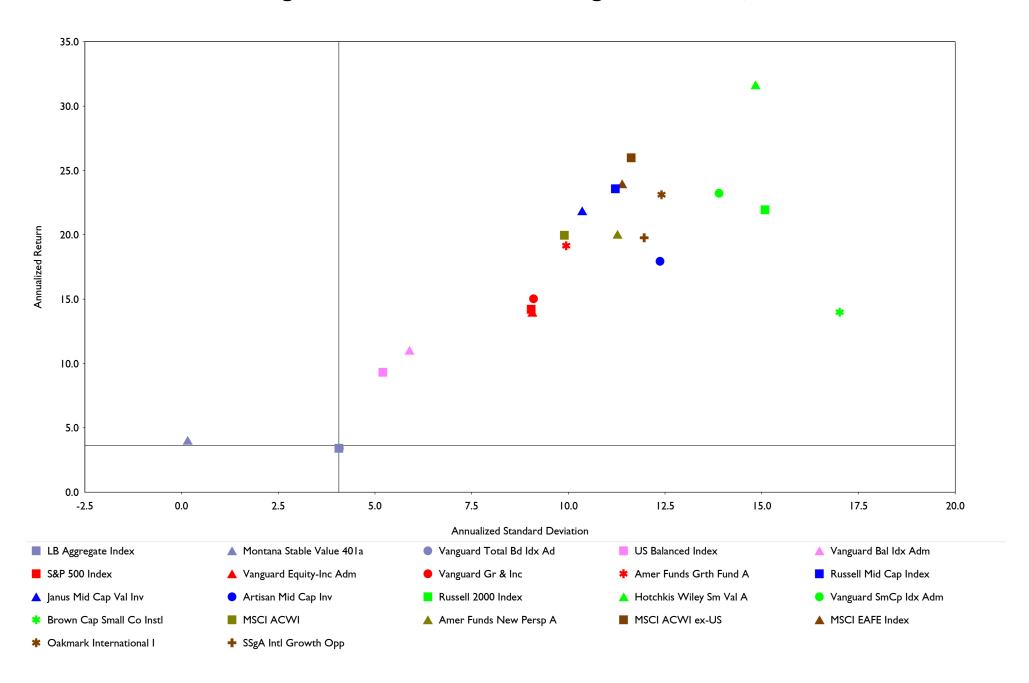
Fund Narrative
SSgA International Growth Opportunities performed in-line with the
MCSI ACWI Growth ex-US and MSCI ACWI ex-US indices during the
quarter. The Fund ranks below median versus its peers for the trailing
three- and five-year periods. SSgA International Growth Opportunities
ranked in the top decile over the trailing one-year period under the
watch of a new portfolio management team. While the Fund still fails to
meet all of the State's performance based investment criteria, the early
success of the new management team offers investors renewed hope for
an upturn in relative performance results. Recommendation: Arnerich
Massena recommends the State retain the "on watch" status of the Fund
while undergoing a review of the new management team and possible
alternative candidates.

Portfolio Statistics - Sharpe Ratio			Morningstar Category Shift		Morningstar Rating		
	<u>Manager</u>	Category Mean	<u>Index</u> <sup>2</sup>				
3-Year	1.1	1.3	1.5	2001	Int'l Growth	3-Year	**
				2002	Int'l Growth		
5-Year	-0. I	0.1	0.2	2003	Int'l Growth	5-Year	**
				2004	Int'l Growth		
		<sup>1</sup> Russell Category: I	Non-US Equity	2005	Int'l Growth	10-Year	N/A
		2 Index: MSCLACM	VI ex-LIS				

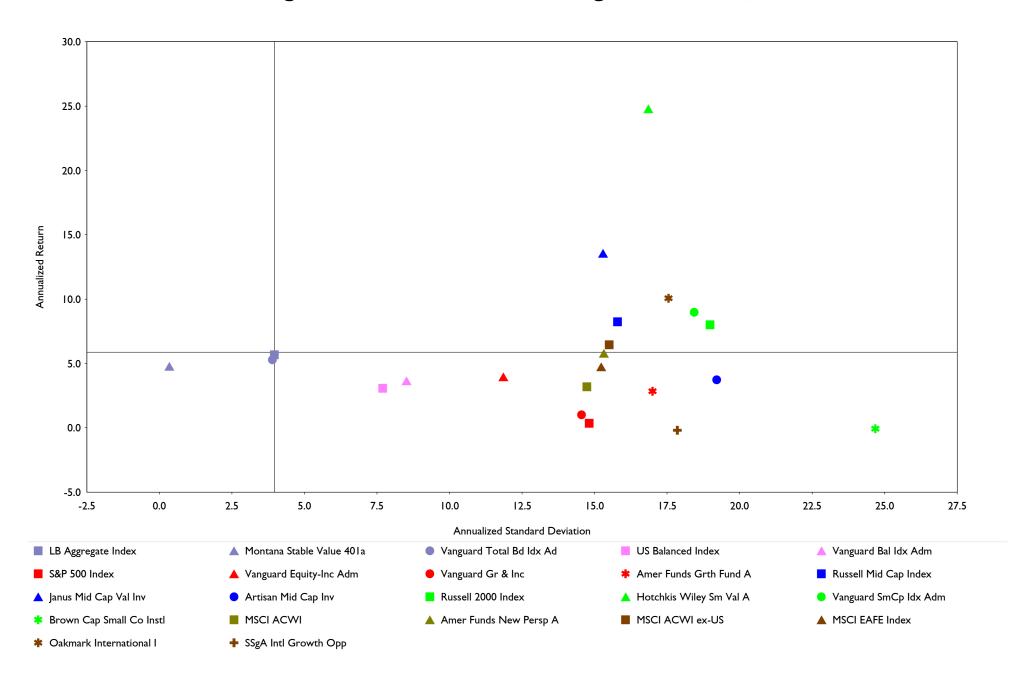
# State of Montana Defined Contribution Plan Manager Risk & Return I-Year ending December 31, 2005



# State of Montana Defined Contribution Plan Manager Risk & Return 3-Year ending December 31, 2005



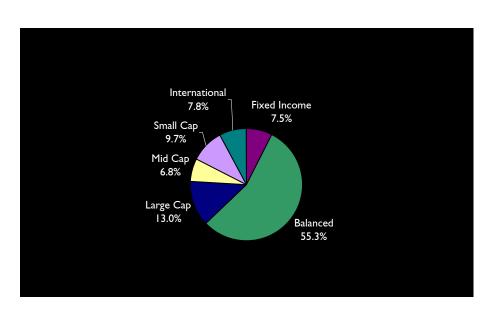
# State of Montana Defined Contribution Plan Manager Risk & Return 5-Year ending December 31, 2005



## State of Montana Defined Contribution Plan

For Period Ending December 31, 2005

Fixed Income			7.48%
DCRP Fixed	\$ 1,672,935	5.97%	
Vanguard Total Bond Market Index Adm	\$ 423,584	1.51%	
FIXED INCOME TOTAL	\$ 2,096,519		
Balanced			55.26%
Vanguard Balanced Index Inst'l	\$ 15,490,921	55.26%	
BALANCED TOTAL	\$ 15,490,921		
Large Cap			13.02%
Vanguard Equity Income Adm	\$ 647,267	2.31%	
Vanguard Growth & Income Adm	\$ 631,728	2.25%	
American Funds Growth Fund of Amer A	\$ 2,352,397	8.39%	
BGI Equity Index	\$ 18,512	0.07%	
LARGE CAP TOTAL	\$ 3,649,904		



Mid Cap			6.78%
Artisan Mid Cap Inv	\$ 862,633	3.08%	
Janus Mid Cap Value Inv	\$ 1,039,240	3.71%	
MID CAP TOTAL	\$ 1,901,873		
Small Cap			9.68%
Vanguard Small Cap Index Adm	\$ 681,780	2.43%	
Brown Capital Small Company I	\$ 798,333	2.85%	
Hotchkis & Wiley Sm Cap VI A	\$ 1,233,135	4.40%	
SMALL CAP TOTAL	\$ 2,713,248		
			· ·
International			7.79%
SSGA International Growth Opportunities	\$ 284,213	1.01%	
American Funds New Perspective	\$ 1,278,468	4.56%	
Oakmark International I	\$ 619,881	2.21%	
INTERNATIONAL TOTAL	\$ 2,182,562		

**TOTAL ACCOUNT** 

\$ 28,035,027

#### State of Montana Defined Contribution Plan Performance Results as of December 31, 2005



This symbol appears when products underperform at least 2 of their corresponding benchmarks for the 3 and 5 year periods.

	<b>Current Quarter</b>	Year To Date	l Year	3 Year	5 Year
				Annualized	Annualized
Montana Stable Value 401a	1.2	4.4	4.4	4.2	5.0
LB Gov/Credit Bond + 0.35%	0.7	2.7	2.7	4.1	6.5
Short Term Fixed MF Mean	0.6	1.7	1.7	2.0	3.9
Vanguard Total Bd Idx Ad	0.7	2.5	2.5	3.6	5.5
LB Agg Index	0.6	2.4	2.4	3.6	5.9
Interm Fixed MF Mean	0.5	2.1	2.1	3.6	5.3
Vanguard Bal Idx Instl	1.6	4.8	4.8	11.3	3.9
US Balanced Index	1.4	3.8	3.8	9.5	3.3
Balanced MF Mean	1.5	4.8	4.8	10.5	2.9
Vanguard Gr & Inc Adm	2.8	6.0	6.0	15.4	1.4
S&P 500 Index	2.1	4.9	4.9	14.4	0.5
Lg Cap Broad MF Mean	2.4	5.9	5.9	14.0	0.2
Amer Funds Grth Fund A	5.1	14.2	14.2	19.3	3.1
Russell 1000 Gr Index	3.0	5.3	5.3	13.2	-3.6
S&P 500 Index Lg Cap Gr MF Mean	2.1 3.3	4.9 7.1	<b>4.9</b> 7.1	<u> </u>	0.5 -1.3
Lg Cap Gr Mr Mean	3.3	7.1	7.1	13.8	-1.3
Vanguard Equity-Inc Adm	1.3	4.5	4.5	14.2	4.2
Russell 1000 Val Index	1.3	7.1	7.1	17.5	5.3
S&P 500 Index	2.1	4.9	4.9	14.4	0.5
Lg Cap Val MF Mean	1.7	5.9	5.9	15.9	3.6
				<b>&amp;</b>	

Performance Results reflect total fund return (including the effect of any income dividends and/or capital gain distributions) and are NET of Management Fee and/or Expense Ratios.

The peer group returns on this performance table are for the average manager in the peer group. Many Investment Policy Statements benchmark manager performance relative to the median manager in the peer group. There can be significant variance between average and median performance. Please consider this possibility when evaluating a particular manager's performance.

Symbols do not apply for index funds.

#### State of Montana Defined Contribution Plan Performance Results as of December 31, 2005

This symbol appears when products underperform at least 2 of their corresponding benchmarks for the 3 and 5 year periods.

	Current Quarter	Year To Date	l Year	3 Year Annualized	5 Year Annualized
Barclay Global Inv Equity Index	4.1	7.0	7.0	15.1	0.9
S&P 500 Index	2.1	4.9	4.9	14.4	0.5
Lg Cap Broad MF Mean	2.4	5.9	5.9	14.0	0.2
Artisan Mid Cap Inv	4.5	9.1	9.1	18.1	3.9
Russell MC Gr Index	3.4	12.1	12.1	22.7	1.4
Russell Mid Cap Index	2.3	12.7	12.7	23.8	8.5
Mid Cap Gr MF Mean	3.1	9.9	9.9	19.4 &	-0.1
Janus Mid Cap Val Inv	2.3	10.4	10.4	22.1	13.8
Russell MC Val Index	1.3	12.6	12.6	24.4	12.2
Russell Mid Cap Index	2.3	12.7	12.7	23.8	8.5
Mid Cap Val MF Mean	1.6	9.7	9.7	21.1	10.9
				GG .	
Vanguard SmCp Idx Adm	1.2	7.5	7.5	23.4	9.2
Russell 2000 Index	1.1	4.6	4.6	22.1	8.2
Sm Cap Broad MF Mean	1.4	6.8	6.8	21.0	9.6
Publish Can Small Ca Inadi	0.7	4.9	4.0	14.2	0.1
Brown Cap Small Co Instl Russell 2000 Gr Index	1.6	<u>4.8</u> 4.2	4.8	20.9	2.3
Russell 2000 Gr Index		<u>4.2</u> 4.6	4.6		8.2
Sm Cap Gr MF Mean	1.6	<u>4.0</u> 6.1	6.I	22.1 19.1	4.2
Sin Cap Of the fleati	1.0	0.1	0.1		4.2 GS

Performance Results reflect total fund return (including the effect of any income dividends and/or capital gain distributions) and are NET of Management Fee and/or Expense Ratios.

The peer group returns on this performance table are for the average manager in the peer group. Many Investment Policy Statements benchmark manager performance relative to the median manager in the peer group. There can be significant variance between average and median performance. Please consider this possibility when evaluating a particular manager's performance.

Symbols do not apply for index funds.

#### State of Montana Defined Contribution Plan Performance Results as of December 31, 2005

This symbol appears when products underperform at least 2 of their corresponding benchmarks for the 3 and 5 year periods.

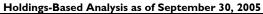
	Current Quarter	Year To Date	l Year	3 Year Annualized	5 Year Annualized
Hotchkis Wiley Sm Val A	1.7	11.0	11.0	31.9	25.0
Russell 2000 Val Index	0.7	4.7	4.7	23.2	13.6
Russell 2000 Index	1.1	4.6	4.6	22.1	8.2
Sm Cap Val MF Mean	0.9	6.6	6.6	23.1	14.2
					_
Amon Eurada Nove Bourn A	4.5	11.3	11.3	20.3	6.0
Amer Funds New Persp A  MSCI ACWI	3.4	11.4	11.4	20.2	3.4
	3.2	9.8	9.8	18.4	3.4
World Eq MF Mean	3.2	7.0	7.0	10.4	3.1
SSgA Intl Growth Opp	5.8	18.7	18.7	20.0	0.0
MSCI ACWI Gr ex-US	4.7	17.1	17.1	22.7	3.8
MSCI ACWI ex-US	4.4	17.1	17.1	26.2	6.7
Non-US Eq MF Mean	4.3	14.5	14.5	22.2	3.7
				GG/	<i>&amp;</i> €
	_				
Oakmark International I	2.5	14.1	14.1	23.3	10.3
MSCI ACWI Val ex-US	4.1	17.2	17.2	29.6	9.4
MSCI ACWI ex-US	4.4	17.1	17.1	26.2	6.7
Non-US Eq MF Mean	4.3	14.5	14.5	22.2	3.7
				GG C	

Performance Results reflect total fund return (including the effect of any income dividends and/or capital gain distributions) and are NET of Management Fee and/or Expense Ratios.

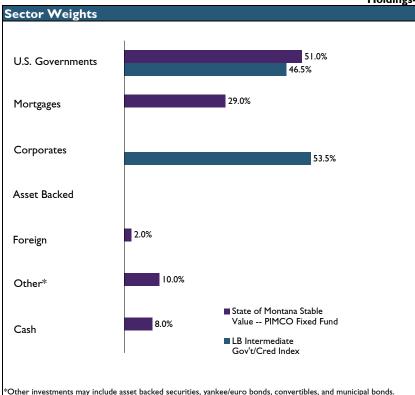
The peer group returns on this performance table are for the average manager in the peer group. Many Investment Policy Statements benchmark manager performance relative to the median manager in the peer group. There can be significant variance between average and median performance. Please consider this possibility when evaluating a particular manager's performance.

Symbols do not apply for index funds.

#### State of Montana Stable Value -- PIMCO Fixed Fund



Portfolio Characteristics



Percent of Portfolio Percent of Portfolio Manager **Credit Quality Rating Maturity** Index Manager Index US Govt/Agency 25.0% 0.0% 0-1 yrs. 6.0% 0.5% 62.0% 65.4% I-3 yrs. 17.0% AAA41.0% 10.7% 64.0% AA 5.0% 3-5 yrs. 25.6% 2.0% 13.3% 5-10 yrs. 5.0% 32.9% BBB 4.0% 9.6% 10-20 yrs. 4.0% 0.0% 4.0% <BBB 2.0% 1.0% 20+ yrs. 0.0% Weighted Avg. Quality AAA AAA Avg. Duration (yrs.) 3.9 3.6 Yield to Maturity 3.7% 3.6% Avg. Maturity (yrs.) 4.9 4.3

Top Ten Holdings Coupon (mo/yr) Portfolio

Not Provided by PIMCO

 Management Fee
 Avg. Annual Portfolio Turnover

 PIMCO Fixed Fund
 0.3%

 Morningstar Average
 I.08%

 Ticker
 Sep. Mgmt.

N/A

Portfolio Statistics		Russell Category: Fixed Income				
Sharpe Ratio	Manager	Category Mean	Index			
3-Year	N/A	N/A	N/A			
5-Year	N/A	N/A	N/A			

Morningstar Rating (Stars Range I-5: 5=Best; I=Worst)

3-Year N/A 5-Year N/A 10-Year N/A

#### Net Historical Performance as of December 31, 2005 (%)

QTR.

(25)

I-YR.

12

(25)

3-YR.

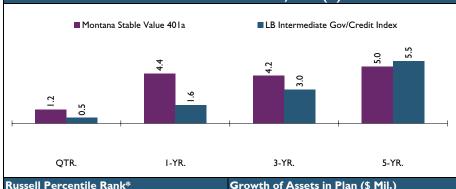
36

(24)

5-YR.

25

(23)



2001

N/A

2002

\$133

2003

\$145

2004

\$145

2005

\$151

IO-YR.

N/A

\*Percentile Rank is based on the Russell universe of stable value portfolios, I being the highest and 100 the lowest. Number in parentheses represents the

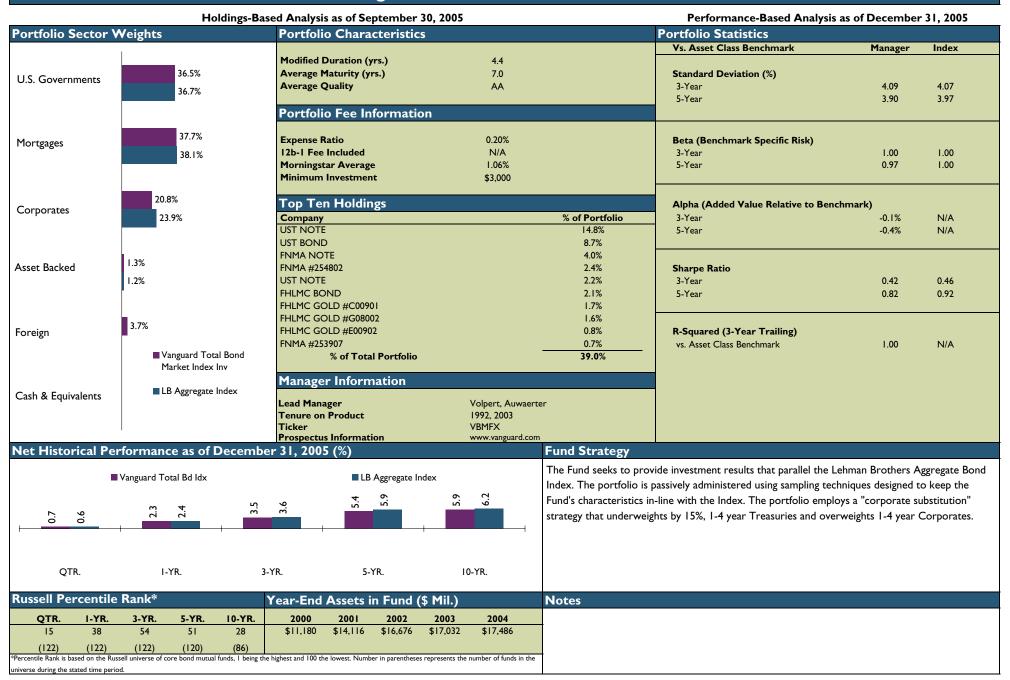
#### **Fund Strategy**

The Fund employs a synthetic stable value strategy where PIMCO manages a diversified bond portfolio and a third party insurer writes an insurance wrapper that resets with a quoted rate of return each quarter. PIMCO seeks to provide a return on investments that exceeds the Lehman Brothers Intermediate Government/Credit Index + 0.35%.

#### **Fund Narrative**

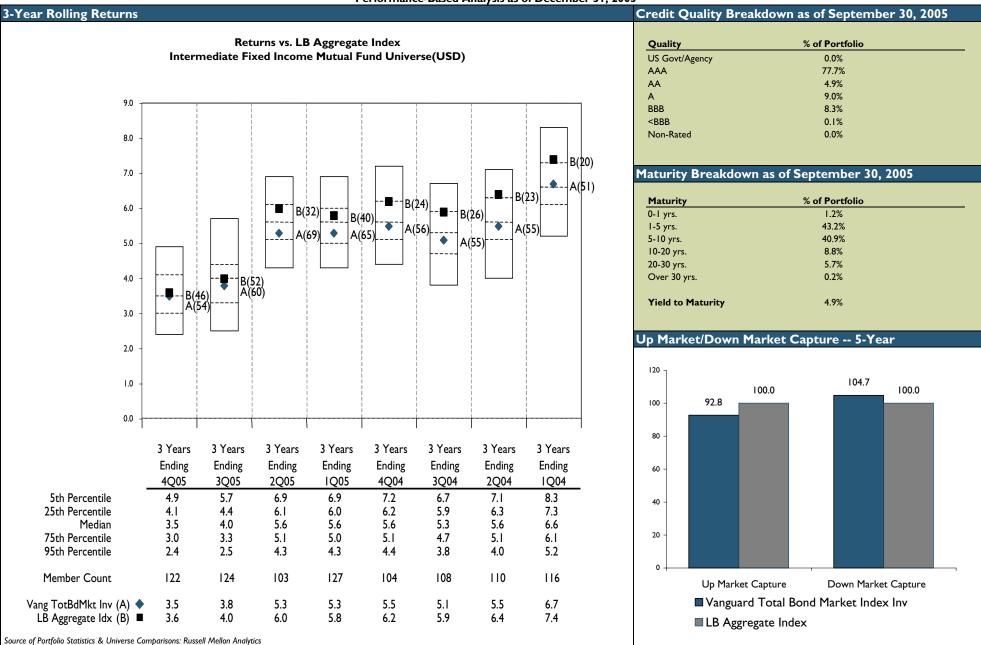
The Fund has outperformed the LB Intermediate Government/Credit Index during the last year, pushing the three-year return over the Index. Longer-term underperformance is a reflection of the lower volatility of the portfolio and is in-line with our expectations. Sharpe Ratio figures are not provided because the lack of volatility produces non-meaningful results. **Recommendation:** Arnerich Massena recommends the State retain PIMCO as their Stable Value option.

#### Vanguard Total Bond Market Index Inv



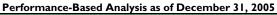
#### Vanguard Total Bond Market Index Inv

Performance-Based Analysis as of December 31, 2005



#### Vanguard Balanced Index Instl Holdings-Based Analysis as of September 30, 2005 Performance-Based Analysis as of December 31, 2005 Portfolio Sector Weights Equity Portfolio Characteristics **Fixed Income Characteristics** Average Market Value (\$ Mil.) N/A Average Duration (yrs.) 4.5 Con. Discretionary 35.2% 3.629 U.S. Governments **Number of Holdings** Average Maturity (yrs.) 7.0 36.7% Avg. Annual Portfolio Turnover N/A **Average Quality** AAI/AA2 Con. Staples Portfolio Fee Information **Portfolio Statistics** Energy 33.2% Vs. Asset Class Benchmark Index Manager **Mortgages** 0.08% 38.1% **Expense Ratio Financials** 12b-1 Fee Included N/A Standard Deviation (%) **Morningstar Average** 1 22% 3-Year 5.88 5.20 Health Care Minimum Investment \$5,000,000 8.51 5-Year 7.70 21.0% Corporates 23.9% **Top Ten Equity Holdings** Industrials % of Portfolio Company Beta (Benchmark Specific Risk) EXXONMOBIL CORP. 1.8% 1.12 3-Year 1.00 Information Tech. 6.8% GENERAL ELECTRIC CO. 1.5% 5-Year 1.10 1.00 Asset Backed MICROSOFT CORP. 1.1% 1.2% Materials 1.0% CITIGROUP, INC. **IOHNSON & IOHNSON** 0.8% Alpha (Added Value Relative to Benchmark) Telecom. Services PFIZER INC. 0.8% 0.7% 3-Year N/A 3.6% BANK OF AMERICA CORP. 0.7% 5-Year 0.6% Foreign N/A ALTRIA GROUP, INC. 0.7% Utilities INTEL CORP. 0.7% CHEVRON CORP. 0.6% **Sharpe Ratio** Misc. % of Total Portfolio 9.7% 0.2% 3-Year 1.61 1.49 Cash & Equivalents 0.20 5-Year 0.14 Cash & Equivalents **Manager Information** ■ Vanguard Balanced Index Instl Lead Manager Perre. Davis R-Squared (3-Year Trailing) ■ Vanguard Balanced Index Instl LB Aggregate Index S&P 500 Index Tenure on Product 2000, 2005 vs. Asset Class Benchmark 0.98 N/A **VBAIX** Ticker **Prospectus Information** Representative Index Weights as of September 30, 2005 www.vanguard.com Net Historical Performance as of December 31, 2005 (%) Fund Strategy Vanguard Balanced Index Fund seeks growth and income. The Fund normally invests ■ Vanguard Bal Idx Instl ■ US Balanced Index 60% of assets in equities and 40% in bonds. The equity portion seeks to replicate the Wilshire 5000 Index performance; to this end, the fund invests primarily in the 500 largest companies on the index and samples the rest. The fixed-income portion seeks to replicate the Lehman Brothers Aggregate Bond Index performance; it may purchase investment-grade U.S. government obligations, corporate debt, and mortgage-backed securities to secure this goal. QTR. I-YR. 3-YR. 5-YR. IO-YR. Russell Percentile Rank\* Year-End Assets in Fund (\$ Mil.) **Notes** 2000 2001 OTR. I-YR. 3-YR. 5-YR. IO-YR. 2002 2003 2004 \$3.586 \$2,990 \$3,895 \$4,674 54 40 36 32 (105)(103) (79)Percentile Rank is based on the Russell universe of balanced mutual funds, 1 being the highest and 100 the lowest. Number in parentheses represents the number of funds in the universe during the stated time period.

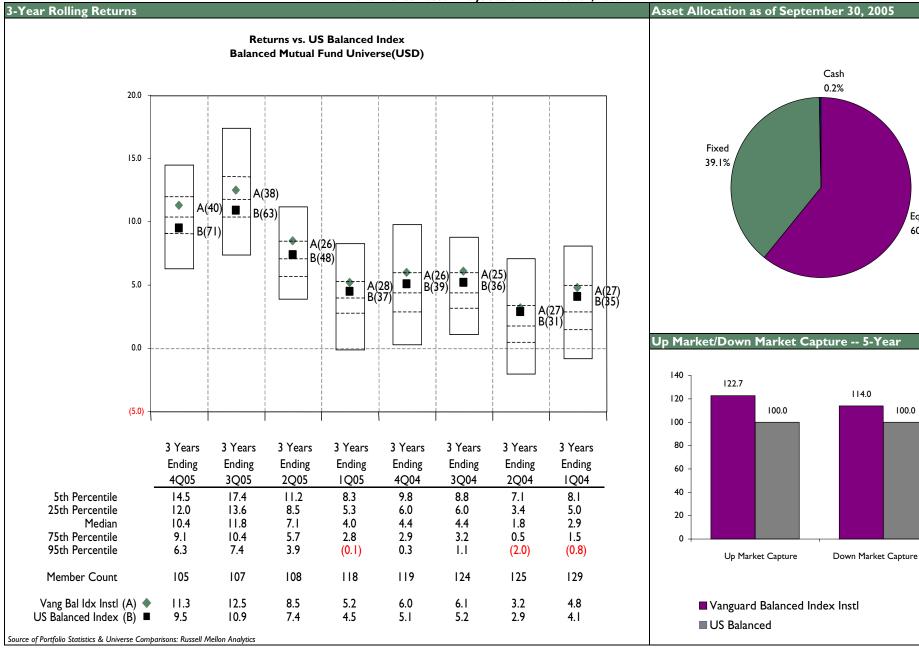
#### Vanguard Balanced Index Instl



Equity

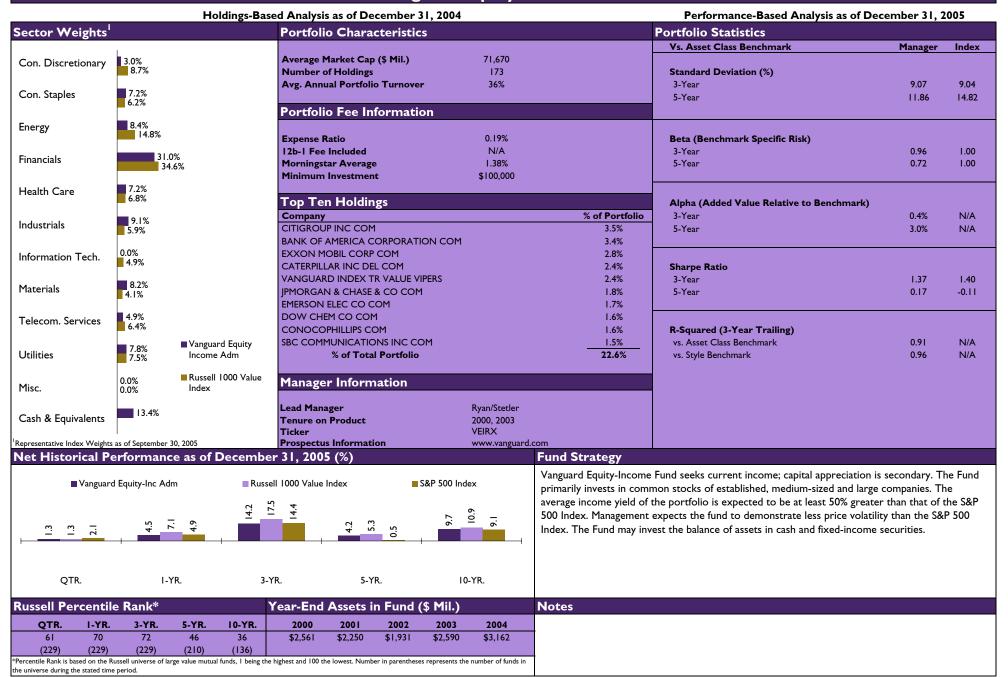
60.7%

100.0



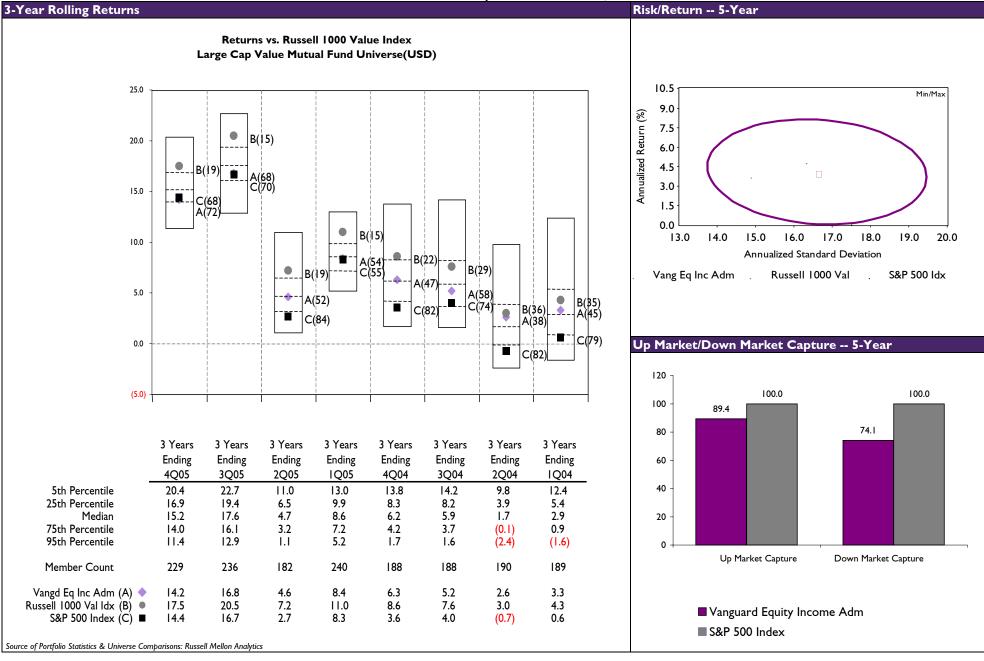
Arnerich Massena & Associates, Inc. ~ Quarter Ending December 31, 2005

#### **Vanguard Equity Income Adm**



#### Vanguard Equity Income Adm

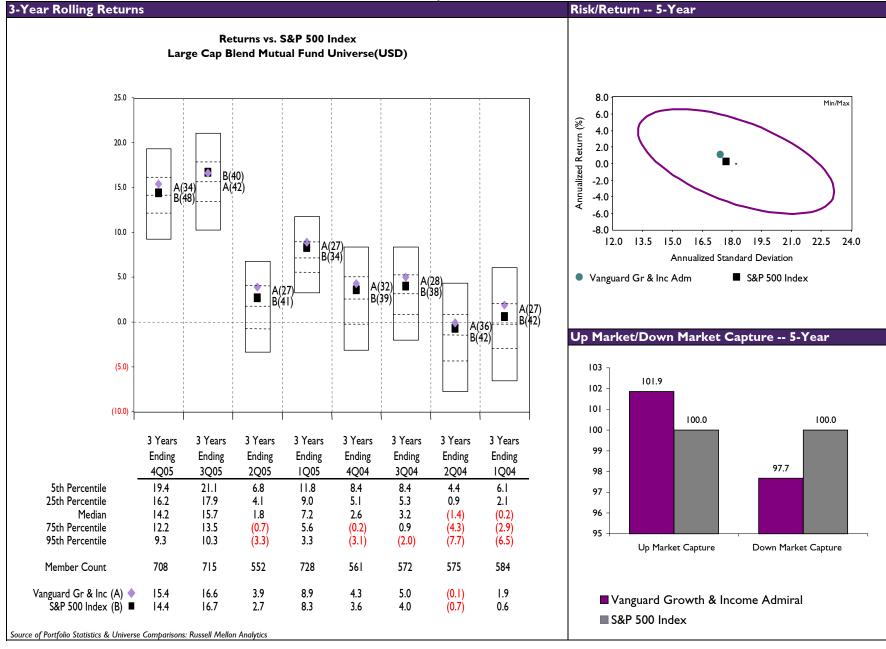
Performance-Based Analysis as of December 31, 2005



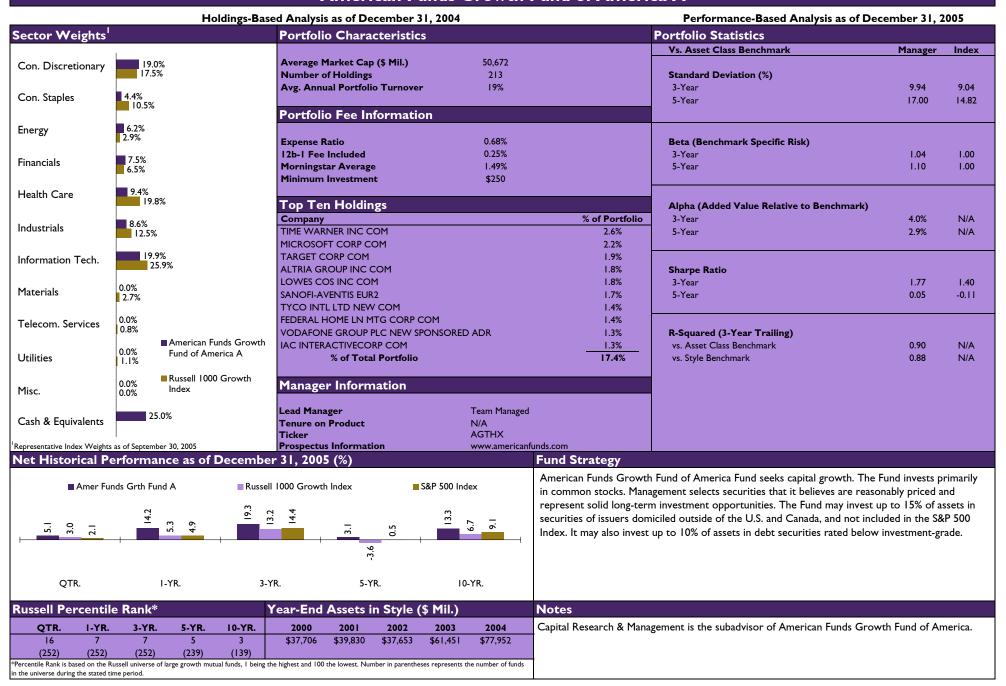
#### Vanguard Growth & Income Admiral Holdings-Based Analysis as of December 31, 2004 Performance-Based Analysis as of December 31, 2005 Sector Weights **Portfolio Characteristics** Portfolio Statistics Vs. Asset Class Benchmark Managei Index Average Market Cap (\$ Mil.) 90,270 Con. Discretionary 11.5% Number of Holdings 127 Standard Deviation (%) 79% 9.10 3-Year 9.04 Avg. Annual Portfolio Turnover Con. Staples 5-Year 14.55 14.82 Portfolio Fee Information 8.1% 9.3% Energy 0.25% **Expense Ratio** Beta (Benchmark Specific Risk) N/A 12b-1 Fee Included 3-Year 0.99 1.00 **Financials** Morningstar Average 1.20% 5-Year 0.97 1.00 \$100,000 Minimum Investment 12.1% 12.3% Health Care Top Ten Holdings Alpha (Added Value Relative to Benchmark) % of Portfolio Company 3-Year 1.1% N/A Industrials **EXXON MOBIL CORP COM** 4.5% 5-Year 0.7% N/A **JOHNSON & JOHNSON COM** 3.3% 3.3% BANK OF AMERICA CORPORATION COM Information Tech. INTERNATIONAL BUSINESS MACH COM 3.1% Sharpe Ratio CITIGROUP INC COM 3.1% 3-Year 1.50 1.40 3.1% 2.9% Materials INTEL CORP COM 2.9% 5-Year -0.06 -0.11 HOME DEPOT INC COM 2.2% 0.0% AMGEN INC COM 2.1% Telecom. Services 2.1% **GOLDMAN SACHS GROUP INC COM** R-Squared (3-Year Trailing) DISNEY WALT CO COM DISNEY 1.9% vs. Asset Class Benchmark 0.96 N/A ■ Vanguard Growth & 0.0% Utilities Income Admiral 28.5% vs. Style Benchmark N/A N/A % of Total Portfolio ■ SP 500 Index 0.0% **Manager Information** Misc. Lead Manager John S. Cone 13.2% Cash & Equivalents Tenure on Product 1999 **VGIAX** Ticker Representative Index Weights as of September 30, 2005 **Prospectus Information** www.vanguard.com Net Historical Performance as of December 31, 2005 (%) **Fund Strategy** Vanguard Growth and Income Fund seeks a total return greater than that of the S&P ■ Vanguard Gr & Inc Adm ■ S&P 500 Index 500 Index on an annual basis. The Fund invests at least 65% (and typically more than 90%) of assets in securities included in the S&P 500 Index. It is expected that the aggregate investment characteristics of the fund will be similar to the S&P 500 Index in -6 6.0 4.9 7. terms of dividend yield, price/earnings ratio, return on equity, and price/book ratio. QTR. I-YR. 3-YR. 5-YR. IO-YR. Russell Percentile Rank\* Year-End Assets in Fund (\$ Mil.) **Notes** 5-YR. QTR. I-YR. 3-YR. IO-YR. 2000 2001 2002 2003 2004 36 48 34 40 22 \$8,968 \$6,925 \$4,496 \$5,483 \$6,224 (411) (708)(708)(661) Percentile Rank is based on the Russell universe of large blend mutual funds, I being the highest and 100 the lowest. Number in parentheses represents the umber of funds in the universe during the stated time period.

#### Vanguard Growth & Income Admiral

Performance-Based Analysis as of December 31, 2005

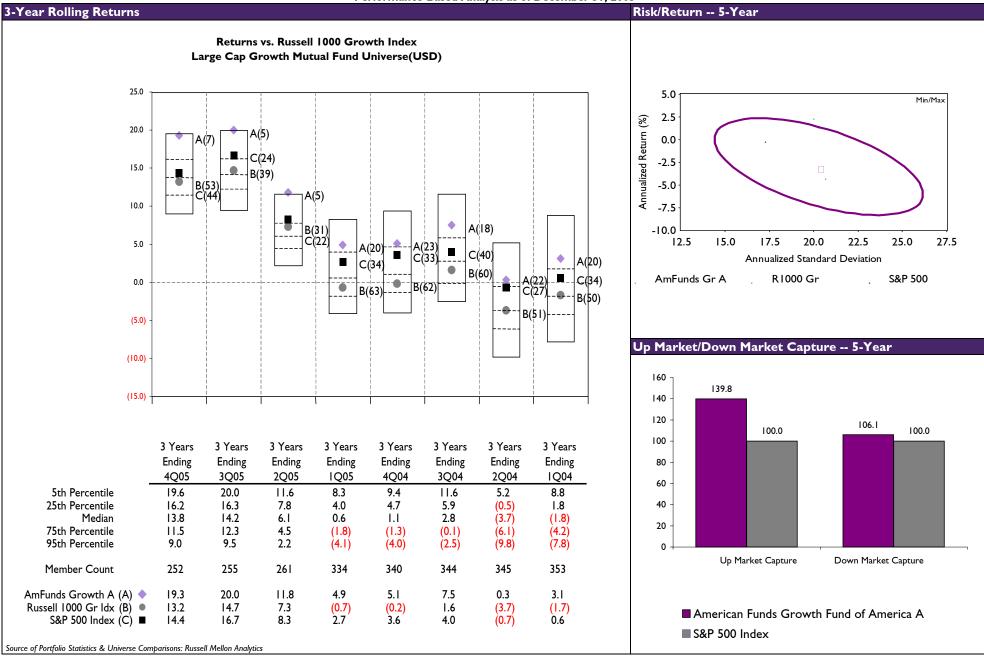


#### American Funds Growth Fund of America A



#### **American Funds Growth Fund of America A**

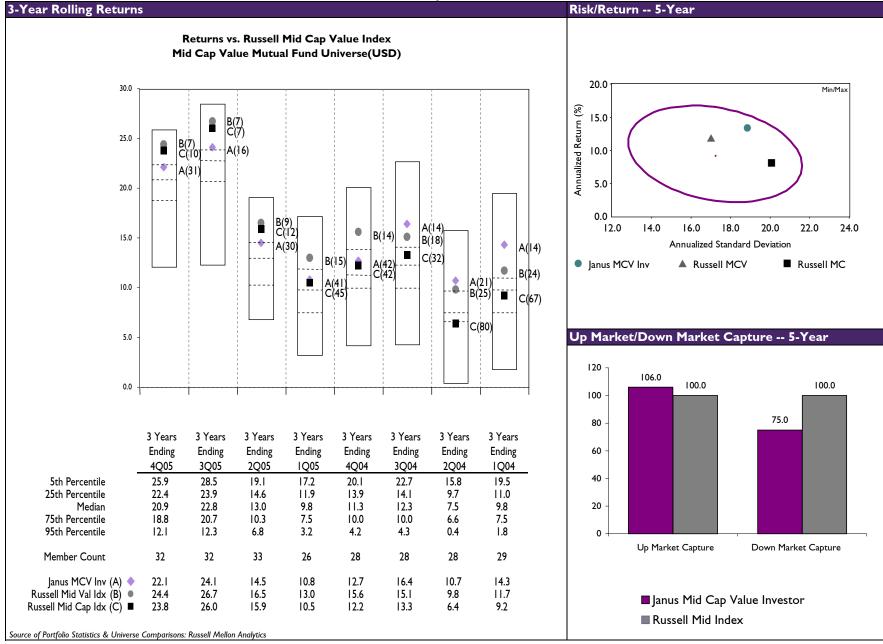
Performance-Based Analysis as of December 31, 2005



#### Janus Mid Cap Value Investor Holdings-Based Analysis as of April 30, 2005 Performance-Based Analysis as of December 31, 2005 **Sector Weights Portfolio Characteristics** Portfolio Statistics Vs. Asset Class Benchmark Managei Index Average Market Cap (\$ Mil.) 6,686 15.1% Con. Discretionary **Number of Holdings** 134 Standard Deviation (%) 91% 3-Year 10.36 11.22 Avg. Annual Portfolio Turnover Con. Staples 5-Year 15.29 15.79 Portfolio Fee Information 8.3% 3.7% Energy 0.94% **Expense Ratio** Beta (Benchmark Specific Risk) 12b-1 Fee Included N/A 3-Year 0.90 1.00 21.4% **Financials** Morningstar Average 1.45% 5-Year 0.92 1.00 Minimum Investment \$2,500 8.4% 4.1% Health Care Top Ten Holdings Alpha (Added Value Relative to Benchmark) % of Portfolio Company 3-Year 0.5% N/A 15.3% 5.7% Industrials LUBRIZOL CORP COM 1.7% 5-Year 5.5% N/A OLD REP INTL CORP COM 1.6% 1.6% **OMNICARE INC COM** Information Tech. BERKSHIRE HATHAWAY INC DEL CL B 1.5% Sharpe Ratio STATE STR CORP COM 1.5% 3-Year 1.96 1.96 4.2% 6.9% ■ Janus Mid Cap Value Materials LAIDLAW INTL INC COM 1.4% 5-Year 0.76 0.40 MANPOWER INC COM 1.3% CENTURYTEL INC COM 1.3% Telecom. Services ANADARKO PETE CORP COM 1.3% ■ Russell Mid Value Index R-Squared (3-Year Trailing) ASTORIA FINL CORP COM 1.3% vs. Asset Class Benchmark 0.95 N/A 0.5% Utilities 14.3% vs. Style Benchmark 0.95 N/A % of Total Portfolio 0.0% **Manager Information** Misc. Lead Manager Team Managed 15.1% Cash & Equivalents Tenure on Product N/A **JMCVX** Ticker Representative Index Weights as of September 30, 2005 **Prospectus Information** www.janus.com Net Historical Performance as of December 31, 2005 (%) **Fund Strategy** Janus Mid Cap Value Fund seeks capital appreciation. The Fund normally invests at least ■ Janus Mid Cap Val Inv Russell Mid Cap Value Index Russell Mid Cap Index 80% of assets in equity securities of mid-sized companies whose market capitalization is within the 12-month average of the capitalization range of the Russell Midcap Index. It 24.4 22.1 3.8 12.2 may invest in companies that have experienced significant business problems but are <u>~:</u> believed to have favorable prospects for recovery. The Fund may also invest up to 20% of assets in high-yield bonds, up to 15% of assets in illiquid investments and without limit in foreign equity and debt securities. QTR. I-YR. 3-YR. 5-YR. Russell Percentile Rank\* Year-End Assets in Style (\$ Mil.) 5-YR. QTR. I-YR. 3-YR. IO-YR. 2000 2001 2002 2003 2004 Perkins, Wolf, McDonnell and Co. is the sub-advisor for the Janus Mid Value Fund. 28 55 31 15 N/A \$50 \$265 \$1,175 \$3,324 \$4,654 (32)(32)(27)Percentile Rank is based on the Russell universe of mid value mutual funds, I being the highest and 100 the lowest. Number in parentheses represents the umber of funds in the universe during the stated time period.

#### Janus Mid Cap Value Investor

Performance-Based Analysis as of December 31, 2005



Arnerich Massena & Associates, Inc. ~ Quarter Ending December 31, 2005

#### **Artisan Mid Cap Investors** Holdings-Based Analysis as of June 30, 2005 Performance-Based Analysis as of December 31, 2005 **Sector Weights Portfolio Characteristics** Portfolio Statistics Vs. Asset Class Benchmark Managei Index Average Market Cap (\$ Mil.) 9,338 17.8% Con. Discretionary 25.2% **Number of Holdings** 90 Standard Deviation (%) 101% 12.37 11.22 3-Year Avg. Annual Portfolio Turnover Con. Staples 5-Year 19.21 15.79 Portfolio Fee Information Energy 1.19% **Expense Ratio** Beta (Benchmark Specific Risk) 12b-1 Fee Included N/A 3-Year 1.05 1.00 **Financials** Morningstar Average 1.59% 5-Year 1.16 1.00 Minimum Investment Closed 19.5% Health Care Top Ten Holdings Alpha (Added Value Relative to Benchmark) % of Portfolio Company 3-Year -5.9% N/A 9.8% 9.4% Industrials SMITH INTL. 2.6% 5-Year -4.9% N/A **CONSTELLATION BRANDS 'A'** 2.6% ALLERGAN 2.5% Information Tech. YAHOO (LIM) 2.1% Sharpe Ratio AIR PRDS.& CHEMS. 2.1% 3-Year 1.96 1.32 Materials **INVITROGEN** 2.1% 5-Year 0.09 0.40 **ITT INDUSTRIES** 2.0% 0.0% VARIAN MED.SYS. 2.0% Telecom. Services KOHLS 1.9% R-Squared (3-Year Trailing) Artisan Mid Cap DANAHER 1.8% vs. Asset Class Benchmark 0.92 N/A 1.3% 2.5% Investors Utilities 21.7% vs. Style Benchmark 0.94 N/A % of Total Portfolio Russell Mid Growth 3.7% 0.0% **Manager Information** Index Misc. Lead Manager Andrew C. Stephens Cash & Equivalents 0.0% Tenure on Product 1997 Ticker ARTMX Representative Index Weights as of September 30, 2005 **Prospectus Information** www.artisanfunds.com Net Historical Performance as of December 31, 2005\*\* (%) **Fund Strategy** Artisan Mid Cap Fund seeks maximum long-term capital growth. Artisan uses a bottom-Artisan Mid Cap Inv Russell Mid Cap Growth Index ■ Russell Mid Cap Index up investment process to construct a diversified portfolio of medium-sized U.S. growth 23.8 companies. The security selection process has three key elements: buy stocks of 22.7 <u>~</u> 2. companies with franchise characteristics that are selling at attractive valuations and 4.1 8.5 3.4 seem well positioned to take advantage of an accelerating profit cycle. The Fund may sell a stock when Artisan thinks the stock is approaching full valuation, changing circumstances affect the original reasons for its purchase, the company exhibits deteriorating fundamentals, or more attractive opportunities are identified. QTR. I-YR. 3-YR. 5-YR. IO-YR. Russell Percentile Rank\* Year-End Assets in Style (\$ Mil.) **Notes** 3-YR. QTR. I-YR. 5-YR. IO-YR. 2000 2001 2002 2003 2004 Performance prior to mutual fund inception date is same style account performance, 19 68 66 32 \$1,294 \$3,489 \$5,241 \$9,162 \$11,418 net of mutual fund fees, managed by Andy Stephens at a previous firm. Arnerich

Arnerich Massena & Associates, Inc. ~ Quarter Ending December 31, 2005

30, 2005.

Massena has taken Artisan Mid Cap off of the approved manager list as of September

(III)

arentheses represents the number of funds in the universe during the stated time period.

(105)

(60)

Percentile Rank is based on the Russell universe of mid growth separately managed products, I being the highest and 100 the lowest. Number in

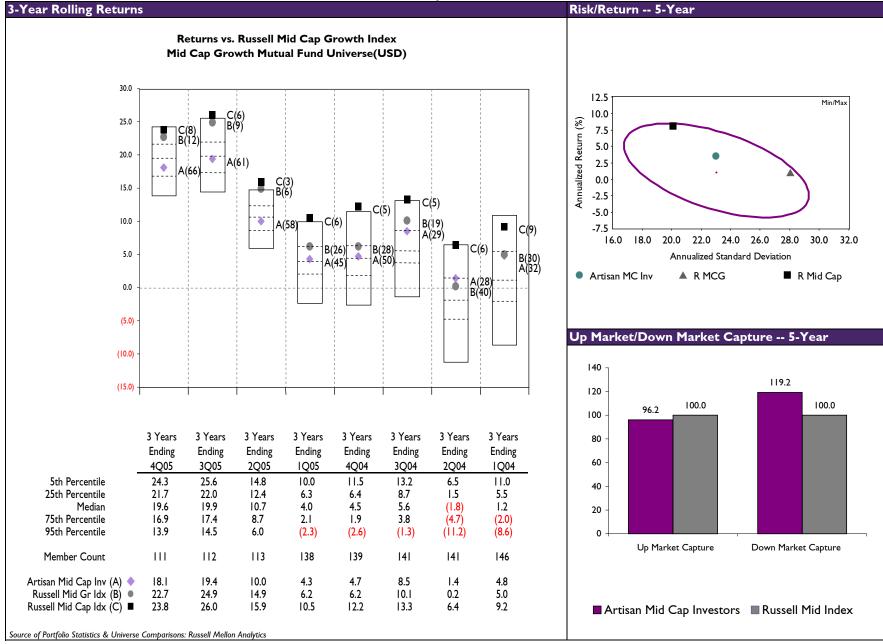
(III)

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Refer to Notes

# **Artisan Mid Cap Investors**

Performance-Based Analysis as of December 31, 2005



Arnerich Massena & Associates, Inc. ~ Quarter Ending December 31, 2005

## Hotchkis and Wiley Small Cap Value A

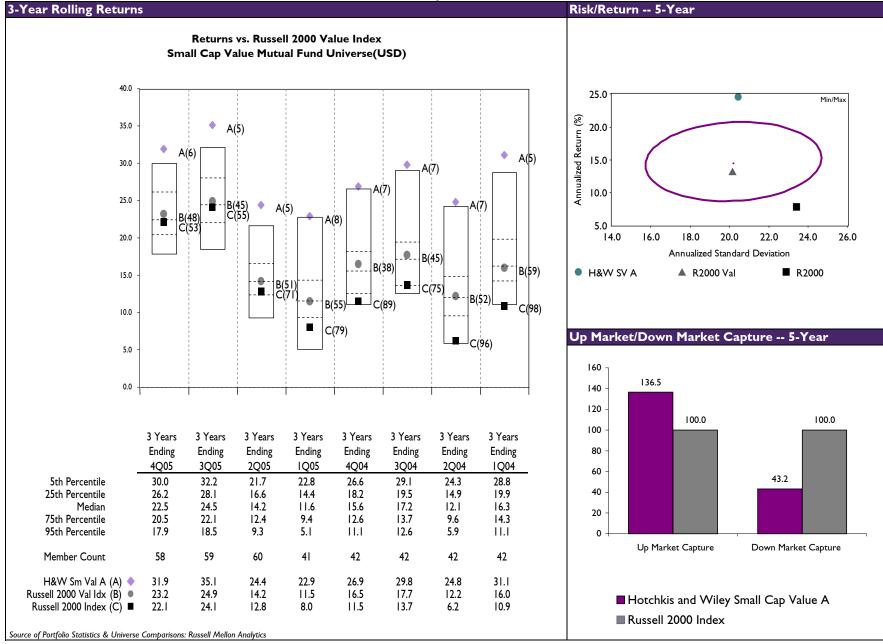
Holdings-Based Analysis as of December 31, 2004 Performance-Based Analysis as of December 31, 2005 **Sector Weights Portfolio Characteristics** Portfolio Statistics Vs. Asset Class Benchmark Managei Index Average Market Cap (\$ Mil.) 1,370 32.2% Con. Discretionary 15.0% Number of Holdings 66 Standard Deviation (%) 64% 3-Year 14.84 15.09 Avg. Annual Portfolio Turnover Con. Staples 5-Year 16.86 18.98 **Portfolio Fee Information** 2.0% 4.8% Energy **Expense Ratio** 1.31% Beta (Benchmark Specific Risk) 12b-1 Fee Included 0.25% 3-Year 0.94 1.00 **Financials** Morningstar Average 1.55% 5-Year 0.82 1.00 Minimum Investment Closed Health Care Top Ten Holdings Alpha (Added Value Relative to Benchmark) % of Portfolio Company 3-Year 9.4% N/A Industrials MI DEVS INC CL A SUB VTG 4.6% 5-Year 16.6% N/A PHH CORP COM NEW 4.3% 4.1% BEARINGPOINT INC COM Information Tech. WCI CMNTYS INC COM 4.0% Sharpe Ratio LONGVIEW FIBRE CO COM 4.0% 3-Year 1.35 2.03 Materials WARNACO GROUP INC COM NEW 5-Year 1.35 0.32 4.0% KELLY SVCS INC CL A 3.3% VALASSIS COMMUNICATIONS INC COM 3.3% Telecom. Services 3.2% BEAZER HOMES USA INC COM R-Squared (3-Year Trailing) ■ Hotchkis and Wiley Small ALLMERICA FINL CORP COM 2.9% vs. Asset Class Benchmark 0.91 N/A Cap Value A Utilities 37.5% vs. Style Benchmark 0.92 N/A % of Total Portfolio Russell 2000 Value Index 0.0% **Manager Information** Misc. Lead Manager Team Managed Cash & Equivalents 4.6% Tenure on Product N/A Ticker **HWSAX** Representative Index Weights as of September 30, 2005 **Prospectus Information** www.hwcm.com Net Historical Performance as of December 31, 2005\*\* (%) **Fund Strategy** Hotchis and Wiley Small Cap Value Fund seeks capital appreciation. The Fund normally ■ Hotchkis Wiley Sm Val A Russell 2000 Value Index Russell 2000 Index invests at least 80% of assets in equity securities of small cap companies. It may invest up to 20% of assets in foreign securities. The Fund may also invest in high-quality and 31.9 25.0 23.2 22.1 3.6 short-term debt securities. 3. 7.7 QTR. I-YR. 3-YR. 5-YR. I0-YR. Russell Percentile Rank\* Year-End Assets in Style (\$ Mil.) QTR. I-YR. 3-YR. 5-YR. IO-YR. 2000 2001 2002 2003 2004 Performance prior to March 2001 is from the composite net of mutual fund fees. 28 16 6 4 8 \$100 \$166 \$271 \$1,029 \$1,574 (58)(24)Percentile Rank is based on the Russell universe of small value mutual funds, I being the highest and 100 the lowest. Number in parentheses represents the umber of funds in the universe during the stated time period.

Refer to Notes

Arnerich Massena & Associates, Inc. ~ Quarter Ending December 31, 2005

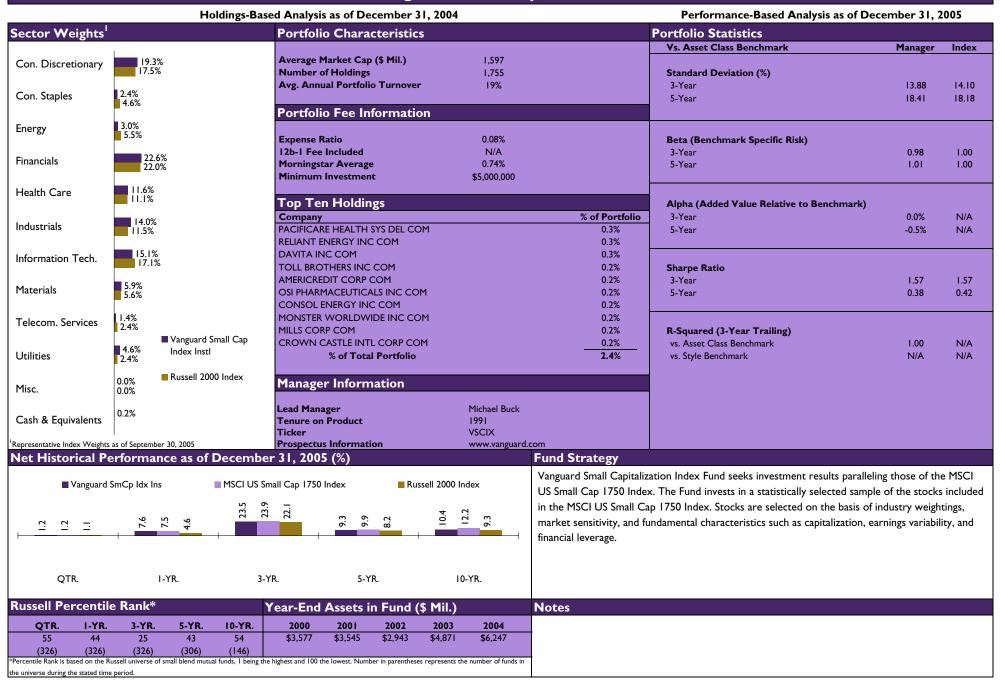
# Hotchkis and Wiley Small Cap Value A

Performance-Based Analysis as of December 31, 2005



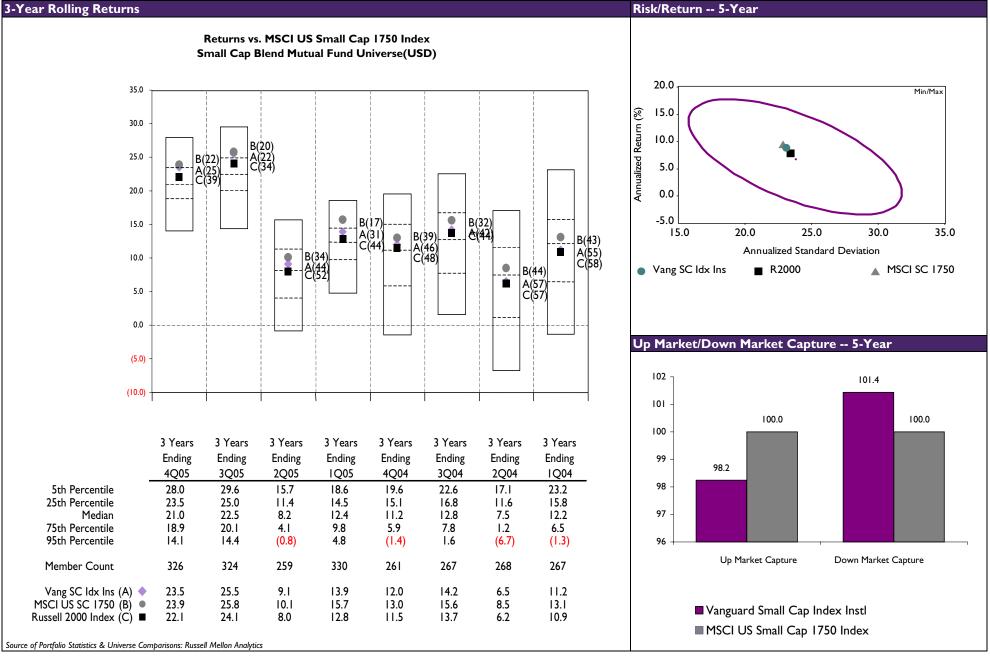
Arnerich Massena & Associates, Inc. ~ Quarter Ending December 31, 2005

## **Vanguard Small Cap Index Instl**

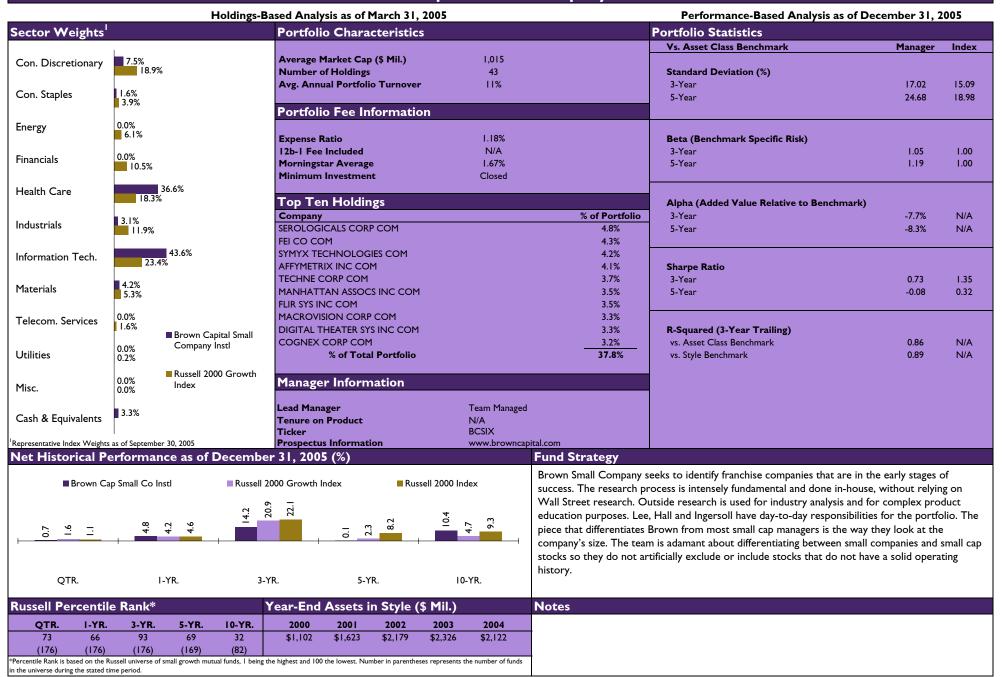


# Vanguard Small Cap Index Instl

Performance-Based Analysis as of December 31, 2005

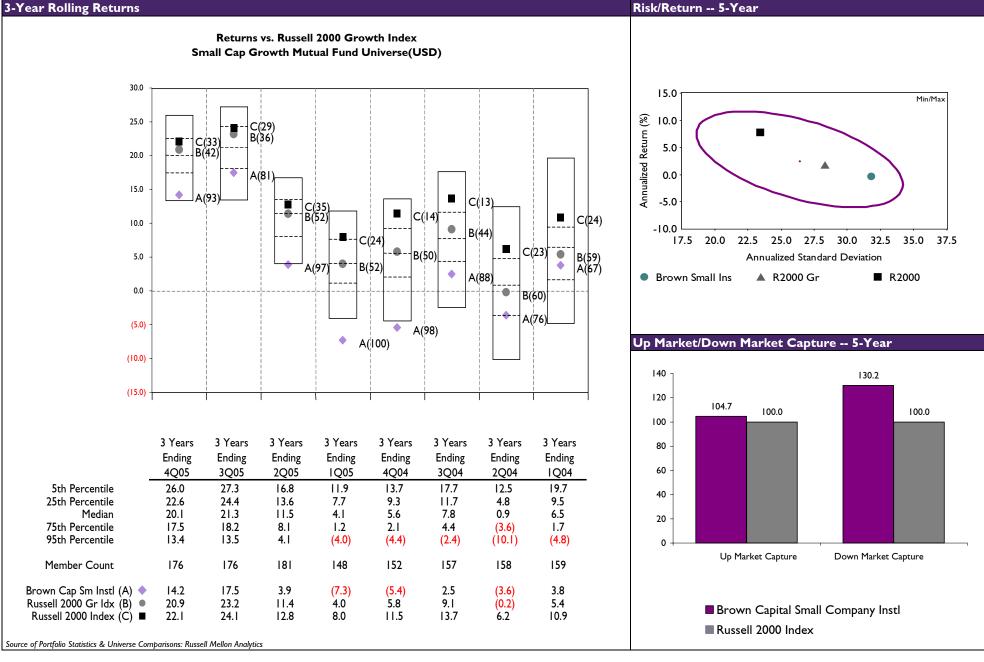


# Brown Capital Small Company Instl



# **Brown Capital Small Company Instl**

Performance-Based Analysis as of December 31, 2005



## **American Funds New Perspective A**

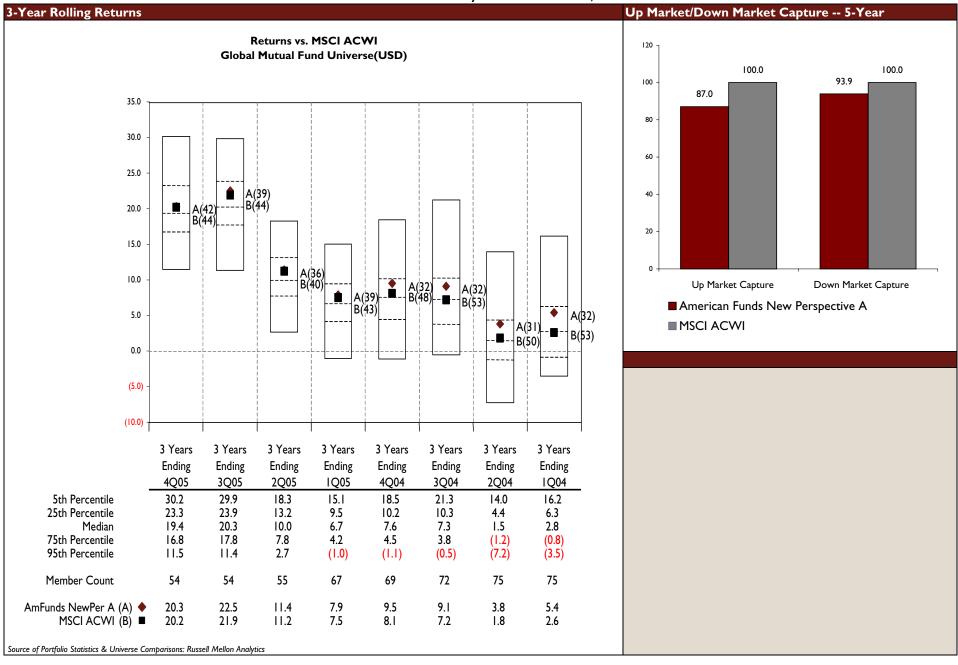
Holdings-Based Analysis as of March 31, 2005 Performance-Based Analysis as of December 31, 2005 Country Weights **Portfolio Characteristics Portfolio Statistics** Vs. Asset Class Benchmark Manager Index **DEVELOPED** 85.6% 93.5% Average Market Value (\$ Mil.) 56.018 **MARKETS Number of Holdings** 216 Standard Deviation (%) 38.7% Avg. Annual Portfolio Turnover 19% 11.27 9.90 3-Year Europe 15.32 14.73 5-Year United Kingdom **Portfolio Fee Information** Germany **Expense Ratio** 0.77% Beta (Benchmark Specific Risk) 12b-1 Fee Included 0.24% 3-Year 1.11 1.00 France Morningstar Average 1.68% 5-Year 1.02 1.00 Minimum Investment \$250 Asia Pacific Top Ten Holdings Alpha (Added Value Relative to Benchmark) Japan Company % of Portfolio -1.7% 3-Year N/A SANOFI-AVENTIS EUR2 2.8% 5-Year 2.5% N/A 0.3% Hong Kong **VODAFONE GROUP ORD USD0.10** 2.7% ALTRIA GROUP INC COM 2.4% 1.1% Australia TYCO INTL LTD NEW COM 1.5% Sharpe Ratio 1.5% TAIWAN SEMICON MAN TWD 10 3-Year 1.64 1.86 3.1% Canada TELEFONICA SA EUR I 1.5% 5-Year 0.25 0.08 **EMERGING** TIME WARNER INC COM 1.3% 7.8% 1.3% POSCO KRW5000 **MARKETS** NEWMONT MINING CORP COM 1.2% R-Squared (3-Year Trailing) Latin America American Funds New 1.2% ING GROEP NV CVA EUR0.24 vs. Asset Class Benchmark 0.95 N/A Perspective A 17.3% % of Total Portfolio vs. Style Benchmark N/A N/A Asia ■ MSCI ACWI **Manager Information** Eur/Mid E/Africa 32.7% 48.3% **UNITED** Lead Manager Team Managed Tenure on Product N/A **STATES** ANWPX Ticker **Prospectus Information** www.americanfunds.com Representative Index Country Weights as of September 30, 2005 Net Historical Performance as of December 31, 2005 (%) Fund Strategy American Funds New Perspective Fund seeks long-term growth of capital; income is a ■ MSCI ACWI ■ Amer Funds New Persp A secondary consideration. The Fund primarily invests in common stocks of foreign and U.S. 20.2 companies. The advisor looks for worldwide changes in international-trade patterns and economic and political relationships. It then searches for companies that may benefit from the new opportunities created by such changes. The advisor closely follows securities, industries, governments, and currency-exchange markets worldwide. QTR. I-YR. 3-YR. 5-YR. I0-YR. Russell Percentile Rank\* Year-End Assets in Style (\$ Mil.) Notes Capital Research & Management is the subadvisor for American Funds New Perspective QTR. I-YR IO-YR. 2000 2001 2002 2003 2004 3-YR. 5-YR. 60 42 18 \$31,634 \$28,618 \$23,638 \$30,631 \$34,596 24 28 Fund. (54)(54)(54)(50)(33)

\*Percentile Rank is based on the Russell non-US equity style mutual fund universe, 1 being the highest and 100 the lowest. Number in parentheses represents the number of

funds in the universe.

# American Funds New Perspective A

Performance-Based Analysis as of December 31, 2005

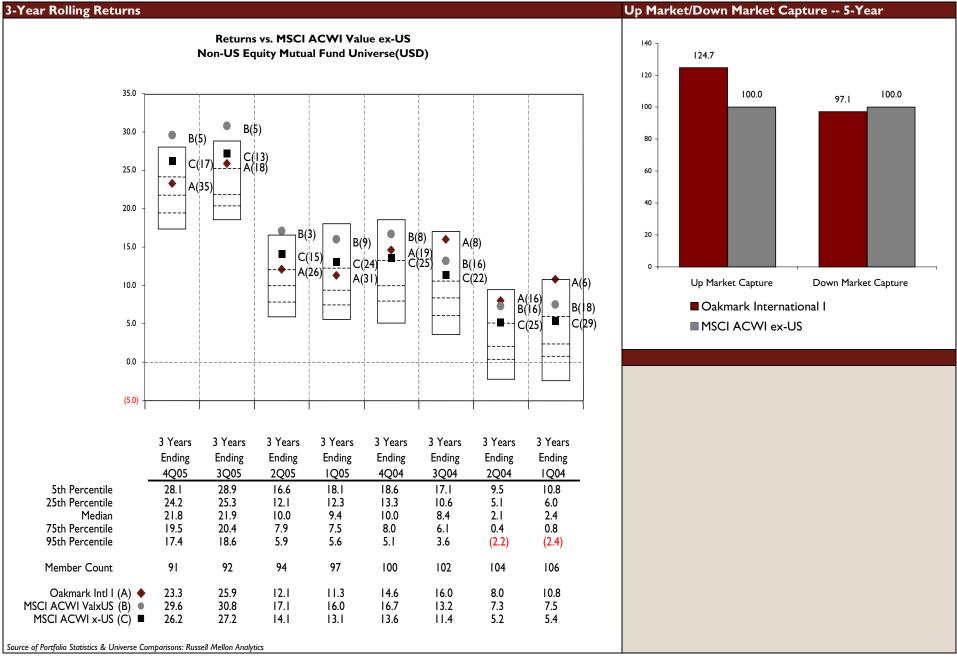


## Oakmark International I

Holdings-Based Analysis as of June 30, 2005 Performance-Based Analysis as of December 31, 2005 **Country Weights Portfolio Characteristics Portfolio Statistics** Vs. Asset Class Benchmark Manager Index **DEVELOPED** Average Market Value (\$ Mil.) 32.622 **Number of Holdings MARKETS** 62 Standard Deviation (%) Avg. Annual Portfolio Turnover 21% 12.41 11.63 3-Year Europe 17.55 15.51 5-Year 0.0% **Portfolio Fee Information** United Kingdom **Expense Ratio** 1.20% Beta (Benchmark Specific Risk) Germany 12b-1 Fee Included N/A 1.00 3-Year 0.99 Morningstar Average 1.68% 5-Year 1.03 1.00 France Minimum Investment \$1,000 Asia Pacific Top Ten Holdings Alpha (Added Value Relative to Benchmark) Company % of Portfolio -2.1% N/A 3-Year Japan GLAXOSMITHKLINE 3.6% 5-Year 3.5% N/A **BAYERISCHE MOTOREN WERKE** 3.4% 0.7% DIAGEO 3.3% Hong Kong SK TELECOM 3.2% Sharpe Ratio 2.2% 4.4% **BANK OF IRELAND** 3.2% 3-Year 1.74 2.10 Australia **EURONEXT** 3.2% 5-Year 0.46 0.29 2.7% NESTLE Canada **NOVARTIS** 2.7% TAKEDA PHARMACEUTICAL CO. 2.7% R-Squared (3-Year Trailing) **EMERGING** ■ Oakmark **DEUTSCHE BOERSE** 2.5% vs. Asset Class Benchmark 0.86 N/A **MARKETS** International I 30.5% % of Total Portfolio vs. Style Benchmark 0.86 N/A Latin America ■ MSCI ACWI ex-US **Manager Information** Asia Lead Manager David Herro Eur/Mid E/Africa Tenure on Product 1992 OAKIX Ticker **Prospectus Information** www.oakmark.com <sup>1</sup>Representative Country Weights as of September 30, 2005 Net Historical Performance as of December 31, 2005 (%) Fund Strategy Oakmark International I seeks to invest in foreign companies that are perceived to be MSCI ACWI Value ex-US ■ MSCI ACWI ex-US Oakmark International undervalued as determined by the advisor. The Fund invests in companies of all capitalization ranges and can invest in emerging markets. 29.6 26.2 17.2 2 9.4 . ₹ 4. QTR. I-YR. 3-YR. 5-YR. I0-YR. Russell Percentile Rank\* Year-End Assets in Fund (\$ Mil.) Notes QTR. I-YR 3-YR. IO-YR. 2000 2001 2002 2003 5-YR. 2004 43 35 \$818 \$964 \$1,656 \$3,509 \$4,677 92 9 7 (58) (91) (91) (91) (85)\*Percentile Rank is based on the Russell non-US equity style mutual fund universe, I being the highest and 100 the lowest. Number in parentheses represents the number of funds in the universe.

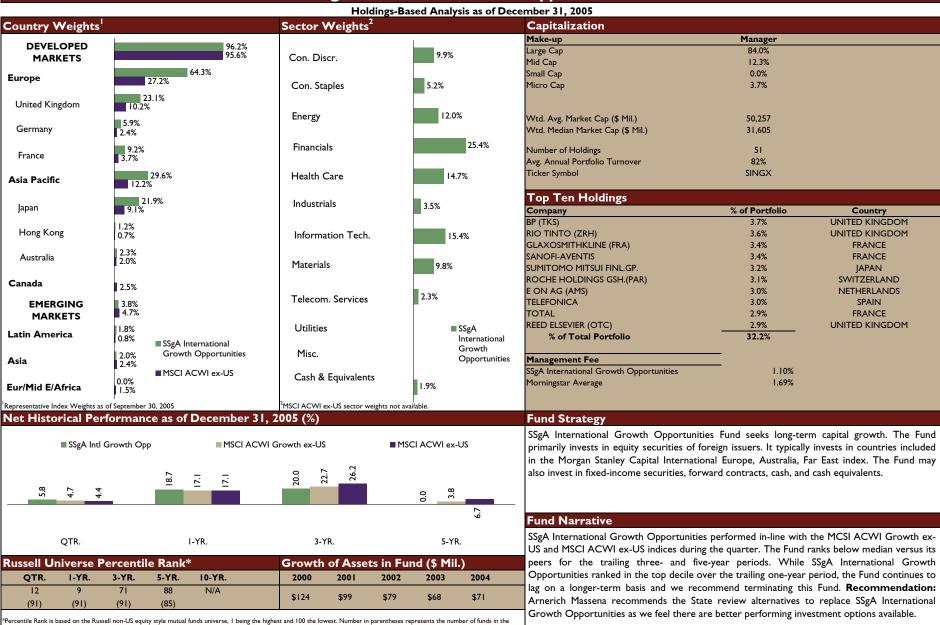
## Oakmark International I

Performance-Based Analysis as of December 31, 2005



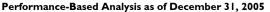
Arnerich Massena & Associates, Inc. ~ Quarter Ending December 31, 2005

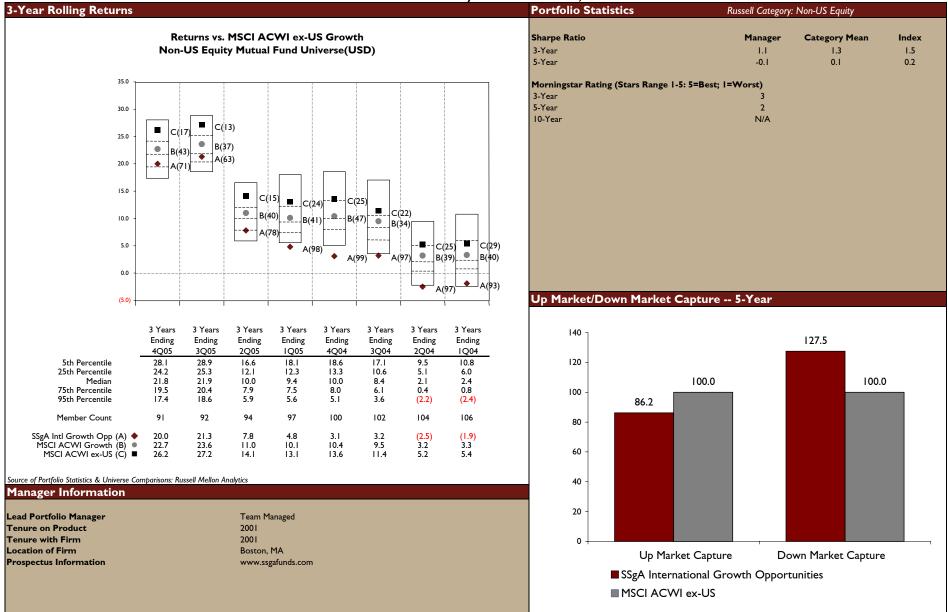
## **SSgA International Growth Opportunities**



niverse during the stated time period.

## **SSgA International Growth Opportunities**





Arnerich Massena & Associates, Inc. ~ Quarter Ending December 31, 2005

# **Glossary Of Terms**

### **ADR**

American Depository Receipt – a negotiable receipt for the shares of a foreign-based corporation held in trust by a U.S. bank that entitles a shareholder to all dividends and capital gains.

### **Alpha**

Alpha is a statistical calculation based on a manager's beta and the rate of return of the index over the period. Alpha measures whether a manager has added to or detracted from returns on a risk-adjusted basis. Alpha can be used when comparing dissimilar products because alpha is adjusted for risk and therefore the product with the highest alpha added the most historical value relative to its risk level.

#### **Annualized Return**

Rate of return of the account smoothed as though the return occurred equally over twelve-month periods. When the specified time frame is for less than a year, the rate of return is projected as though the same performance continues to occur for a twelve-month time period.

### **Assets Managed in Style**

The total assets managed in all investment vehicles of the investment style.

### Average Market Capitalization (\$ Wtd.)

The average market capitalization of all stocks in a given portfolio, weighted by each company's portion of the portfolio's market value.

### Beta

Beta measures volatility, which is often equated to perceived risk. Beta is always calculated relative to a benchmark. The index, by definition, has a beta of 1.0. If a product has a beta higher than 1.0, this indicates greater historical return volatility relative to the index; the opposite is true if beta is lower than 1.0.

#### **Book Value**

The balance sheet value of assets minus the balance sheet value of liabilities. Also known as shareholders' equity.

### **Bottom-Up Investment Approach**

The investment manager concentrates on fundamental analysis of a company's financial statements. In addition, an investment manager may examine other aspects of the company such as strength of management, new product lines, valuation, historic record, etc.

#### **Cumulative Annualized Rate of Return**

Funds appear in order of their absolute rate of return over a common time period, with the highest rate of return appearing first.

### **Cycle Analysis**

The index, by definition, automatically has an Up-Cycle of 100. If a manager has an Up-Cycle number higher than 100, the manager has historically captured more than 100% of the rising market. If a manager has a Down-Cycle number of less than 100, the manager has historically captured less than 100% of the falling market.

#### **Dividend**

A payment issued by a company that distributes a portion of its value, usually in the form of cash.

# **Glossary Of Terms - Continued**

#### **Duration**

The weighted maturity of a fixed-income investment's cash flows, used in the estimation of the price sensitivity of fixed-income securities for a given change in interest rates. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flows consist of coupon payments and repayment of capital). A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, where maturity and duration are equal.

### **Earnings**

Earnings are a company's accounting profits or losses, typically reported four times each year.

### **Emerging Markets**

Countries whose economies are considered emerging or underdeveloped.

#### **Fundamental**

A company's underlying financial situation.

### **Growth Style Investing**

Growth investors purchase companies that have above-average earnings growth and/or above-average sales growth rates.

### Hedging

A strategy designed to reduce risk by offsetting potential losses from existing investments. This practice is often used in international investing, where investment managers often use hedging techniques to reduce exposure to fluctuating currencies.

#### **Investment Vehicle**

The account type that an investor can gain access to an investment manager. Examples of investment vehicles are pooled or commingled funds, mutual funds, separate accounts, and limited partnerships.

### Large Cap

Large Capitalization – refers to those companies with a market capitalization of greater than \$10 billion.

### Liquidity

The ability to buy or sell an asset quickly and in large volume without substantially affecting the asset's price.

## **Market Capitalization**

The dollar value of a public company based on the total number of shares of stock available multiplied by the price per share.

## Median Market Capitalization (\$ Wtd.)

The market capitalization of the stock that represents the middle of the portfolio's cumulative market value. Half of the portfolio is invested in stocks larger than the median and the other half is invested in stocks smaller than the median.

### Micro Cap

Micro Capitalization - refers to those companies with a market capitalization of less than \$500 million.

# **Glossary Of Terms - Continued**

### Mid Cap

Mid Capitalization – refers to those companies with a market capitalization between \$2 and \$10 billion.

#### **Net of Fees**

After subtraction of management fees.

#### **Portfolio**

Refers to the complete list of securities held in an investment vehicle.

### Price-to-earnings (P/E) ratio

Calculated by dividing the current share price by the trailing twelve-months earnings per share.

### Price-to-book (P/B) ratio

Calculated by dividing the share price by the book value per share.

#### **Relative Rank**

"Rank" reflects funds' performance within the full universe of comparable products, which includes similar investment styles and objectives. The rank reflects which percentile the manager's absolute rate of return falls within relative to its peer universe, with I=highest and I00=lowest.

### R-Squared (Coefficient of Determination)

A statistical measure of the degree to which the movements of two variables are related. An R-Squared closer to 1.0 indicates that the two variables tend to behave similarly or that by knowing one variable you can closely estimate the other variable.

### **Sharpe Ratio**

A risk-adjusted measure calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the fund's historical risk-adjusted performance. The Sharpe Ratio is calculated for the past 36 month period by dividing a fund's annualized excess returns by the standard deviation of a fund's annualized excess returns.

### Small Cap

Small Capitalization - refers to those companies with a market capitalization between \$500 million and \$1.99 billion.

#### Standard Deviation

Measures the range of returns and is based on a Normal Curve. Managers with lower standard deviations than the index have historically had returns that tended to fall closer to their mean return compared to the index. Managers with higher standard deviations than the index have historically had returns that tended to be further dispersed around the mean than the index. This is another measure of volatility, but it doesn't distinguish downside performance from upside performance.

## **Top-Down Investment Approach**

The investment manager concentrates on analyzing the economy and investment environment to identify attractive economic sectors for investment. In international investing, a top-down investment approach is often used to identify attractive countries or regions for investment.

# **Glossary Of Terms - Continued**

### **Treynor Ratio**

The Treynor ratio is the return premium earned over the risk free rate by the series for each unit of risk taken, with risk measured as the beta of the series or portfolio relative to the market.

### Value Added

Based on alpha, value-added shows how much value a manager added, after adjustment for the amount of volatility (risk) that a manager has experienced. A value-added of 1.0 means a manager has added 1% to annualized returns.

### Value Style Investing

Value investors rely on an examination of the underlying or unrealized value of a company as the primary criterion for deciding whether or not to buy a company's stock. Value stocks are often priced lower than growth stocks due to slower growth expectations, recent financial difficulty, or a host of other reasons.

### Years

This evaluation is based on quarterly return observations from inception for all advisors and the corresponding index.

# **Index Descriptions**

### **Fixed Income Indices**

### 90-Day Treasury Bills Index

This is Merrill Lynch's index of U.S. Treasury Bills up to 90 days to maturity.

### Lehman Brothers Aggregate Bond Index

The LB Aggregate is a compilation of the LB Government Bond Index, the LB Corporate Bond Index, and the LB Mortgage-Backed Securities Index. The government bond index includes all public obligations of the U.S. Treasury (excluding foreign-targeted issues), all publicly issued debt of U.S. government agencies, and corporate debt guaranteed by the U.S. Government. All issues have at least one year to maturity. The corporate bond index includes all publicly issued, fixed-rate, non-convertible investment grade domestic corporate debt and Yankee bonds (Yankee bonds are dollar-denominated international bonds that are primarily traded in the U.S.). All issues have at least one year to maturity. The mortgage-backed securities index includes all fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal Home Loan Mortgage Corporation (FHLMC), and the Federal National Mortgage Association (FNMA).

### Lehman Brothers Intermediate Government/Credit Bond Index

This index is a combination of the LB Government Bond Index and LB Corporate Bond Index. (See descriptions under LB Aggregate Bond Index.) In the intermediate index, all issues have maturities between I and 9.9997 years.

### **Balanced Index**

### U.S. Balanced Index

The U.S. Balanced Index is a weighted average of 55% S&P 500 Index, 40% Lehman Brothers Aggregate Index, and 5% 90-Day Treasury Bills.

# **Index Descriptions - Continued**

## **U.S. Equity Indices**

### Russell 3000® Index

Measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. As of the latest reconstitution (June 30, 2004), the average market capitalization was approximately \$4.4 billion; the median market capitalization was approximately \$822 million. The index had a total market capitalization range of approximately \$176 million to \$317.8 billion.

#### Russell 1000® Index

Measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution (June 30, 2004), the average market capitalization was approximately \$12.1 billion; the median market capitalization was approximately \$4.0 billion. The index had a total market capitalization range of approximately \$1.6 billion to \$317.8 billion.

### Russell 1000® Growth Index

Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

### Russell 1000® Value Index

Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

### Russell Midcap Index

Measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 26% of the total market capitalization of the Russell 1000 Index. As of the latest reconstitution (June 30, 2004), the average market capitalization was approximately \$4.2 billion; the median market capitalization was approximately \$3.2 billion. The index had a total market capitalization range of approximately \$1.6 billion to \$12.3 billion.

## Russell Midcap™ Growth Index

Measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth rates. The stocks are also members of the Russell 1000 Growth index.

## Russell Midcap™ Value Index

Measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth rates. The stocks are also members of the Russell 1000 Value index.

## Russell 2500<sup>™</sup> Index

Measures the performance of the 2,500 smallest companies in the Russell 3000 Index, which represents approximately 17% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution (June 30, 2004), the average market capitalization was approximately \$993 million; the median market capitalization was approximately \$640 million. The index had a total market capitalization range of approximately \$176 million to \$4.0 billion.

## Russell 2500™ Growth Index

Measures the performance of those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values.

### Russell 2500™ Value Index

Measures the performance of those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values.

# **Index Descriptions - Continued**

### Russell 2000® Index

Measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution (June 30, 2004), the average market capitalization was approximately \$607 million; the median market capitalization was approximately \$496 million. The index had a total market capitalization range of approximately \$176 million to \$1.6 billion.

#### Russell 2000® Growth Index

The Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

### Russell 2000® Value Index

The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

### S&P 500 Index

The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, (bid-asked spread, ownership, share turnover and number of no trade days) and industry group representation. It is a market value weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. The "500" is one of the most widely used benchmarks of U.S. equity performance. Currently there are approximately 105 industry groups. As of June 30, 2004 the S&P 500 had a weighted average market capitalization of \$90.6 billion and a weighted median market capitalization of \$48.0 billion. (Median market cap indicates that 50% of the total market value is invested in companies of market capitalization's equal to or greater than the median.)

#### S&P Midcap 400 Index

The S&P Midcap 400 Index consists of 400 domestic stocks chosen for market size, liquidity, and industry group representation. It is also a market value weighted index and was the first benchmark of midcap stock price movement. As of June 30, 2004, 75.8% of the portfolio value of the index was in mid sized companies (\$2.0-\$10.0 billion market capitalization). The remaining 24.2% was in small companies (\$2 billion market capitalization). The weighted average market capitalization as June 30, 2004 was \$3.3 billion and the weighted median market capitalization was \$2.9 billion.

### S&P SmallCap 600 Index

The S&P SmallCap 600 Index consists of 600 domestic stocks chosen for market size, liquidity, (bid-asked spread, ownership, share turnover and number of no trade days) and industry group representation. It is a market value weighted index (stock price times the number of shares outstanding), with each stock's weight in the Index proportionate to its market value.

#### Wilshire 5000 Index

Measures the performance of all U.S. headquartered equity securities with readily available price data. Over 7,000 capitalization weighted security returns are used to adjust the index. The Wilshire 5000 base is its December 31, 1980 capitalization of \$1,404.596 billion.

# **Index Descriptions - Continued**

## **International Equity Indices**

### Morgan Stanley Capital International All Country World Index ex-U.S. (MSCI ACWI ex-U.S.)

The MSCI ACWI ex-US is a market-capitalization-weighted index, combining 48 of the world's developed and emerging markets, excluding the US. As of June 30, 2004, emerging markets exposure was 9.7%; Europe was represented 58.5% Asia/Pacific was 26.7 and Canada was 5.3%. The largest single country weighting was the South Africa at 21.2%, with the United Kingdom following at 17.5%.

### Morgan Stanley Capital International Europe, Australia, Far East Index (MSCI EAFE)

The MSCI EAFE Index is a market-value-weighted combination of 21 countries, representing the "developed" world. As of June 30, 2004, Europe represented 68.6% and Asia/Pacific 31.4%. Japan was the largest single country weighting at 23.0% followed by The United Kingdom at 22.5%.

### Morgan Stanley Capital International Emerging Markets Index (MSCI Emerging Markets Free)

The MSCI Emerging Markets Index is a market-value-weighted combination of 26 countries, representing "lesser developed" markets. As of June 30, 2004, Brazil, China, Korea, South Africa, and Taiwan were the largest holdings, each with roughly 8-19%.

### Morgan Stanley Capital International All Country World Index (MSCI ACWI)

The MSCI ACWI is a market-value-weighted combination of 23 countries, representing the "developed" world and 27 countries representing emerging markets. As of June 30, 2004, the United States was the largest single country weighting representing 52.5% of the index. The United Kingdom was the next largest single country weighting at 10.01%, followed by Japan at 89.7%

# **Notes to Accompany Investment Advisor Statistics**

## **Explanation of Characteristics**

**<u>Beta</u>**: Beta measures volatility, which is often equated to "riskiness." Increased volatility may mean increased risk of a negative return in any given period. Beta must always be calculated relative to a benchmark of some sort. The index has an automatic beta of 1.0. Manager beta of higher than 1.0 indicates greater volatility relative to the benchmark; lower than 1.0 indicates less volatility.

Alpha: Alpha is a statistical calculation based on a manager's beta and the rate of return of the index over the period. It measures whether a manager's efforts have added to or detracted from expected returns on a risk-adjusted basis. A positive alpha indicates added value and is therefore good.

**Standard Deviation:** This measures the range of returns and is based on a bell curve. Managers with a lower standard deviation than the index have returns which tend to fall closer to their mean return over a certain time period. Managers with a higher standard deviation than the index have returns which tend to be farther-flung. This is another measure of volatility. The higher the standard deviation, the more volatile the manager.

<u>Sharpe Ratio:</u> A risk-adjusted measure calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the fund's historical risk-adjusted performance. The Sharpe Ratio is calculated by dividing a fund's annualized excess returns by the standard deviation of a fund's returns over a certain time period.

**R-Squared:** R-Squared measures the degree to which a manager's returns are explained by an index return. We use R-Squared to determine the correct index as a manager's benchmark. An R-Squared of 1.0 indicates that 100% of the manager's performance is explained by the index. As the R-Squared moves down from 1.0, the characteristics of the manager portfolio become less and less like the given index.

<u>Cycle Analysis:</u> The index automatically has an Up-Cycle number of 100. If a manager has an Up-Cycle number greater than 100, that manager captures more than 100% of the index in rising markets. If a manager has a Down-Cycle number of less than 100, that manager does not go down as much as the index in falling markets.

**Relative Rank:** "Rank" reflects funds' performance within a universe of similarly styled Equity, Fixed or Balanced managers. The number here reflects within which percentile the manager's absolute rate of return falls, with 1-highest and 100-lowest. The number of managers included in the universe is indicated in the member count.

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